S. Hrg. 100-308

INTERNATIONAL TRADE AND COMPETITIVENESS: A MASSACHUSETTS PERSPECTIVE

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL ECONOMIC
POLICY, TRADE, OCEANS AND ENVIRONMENT

OF THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

MARCH 16, 1987
BOSTON, MA

Printed for the use of the Committee on Foreign Relations

U.S. GOVERNMENT PRINTING OFFICE
77-310 WASHINGTON : 1987

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

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INTERNATIONAL TRADE AND COMPETITIVENESS: A MASSACHUSETTS PERSPECTIVE

MARCH 16, 1987

U.S. Senate,
Subcommittee on International Economic
Policy, Trade, Oceans and Environment,
of the Committee on Foreign Relations,
Boston, MA.

The subcommittee met at 10 a.m., at the Boston World Trade Center, the Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senator Kerry.

Senator **Kerry**. We will call this hearing of the Subcommittee on International Economic Policy, Trade, and Oceans and Environment to order. I thank all of you for coming, and those of you who will be witnesses, for your willingness to testify here today.

Let me just make some brief opening comments, if I may, and then I'd like to ask the folks who are sitting here on the dais with me, if they would like to also make a brief opening comment. Then we'll proceed right to the testimony.

This is part of an ongoing effort to produce a trade bill—an omnibus trade bill in the U.S. Senate and the Congress as a whole, this season. We have been charged—when I say "we," those of us who are chairmen of subcommittees which have any jurisdiction over the trade issue—we have been specifically charged by Senator Byrd, majority leader, to come up by May 1 with our legislative proposals which will be encompassed into an omnibus trade bill. That includes the trade legislation of Senator Bentsen and the Finance Committee, Senator Proxmire and the Banking Committee. All of us will be working together to put together one piece of legislation, which we think deals with some of the trade and export issues before this country.

Now, some people may say: "Why a hearing of the subcommittee of the Foreign Relations Committee in Boston, MA? Isn't foreign policy made in Washington? To a certain degree, that's true. Yes. But, there isn't a person who is involved in business today, in any sector, whether it's the financial side or on the production side, who doesn't understand that the world has changed. That the impact of our exports, the impact of our trade deficit on the entire Nation and in the way in which we do business and our ability to do business, is larger today than at any time in the history of this country. And, obviously, the policy has an enormous impact on a State like Massachusetts. Fully, 5 percent of the jobs in manufacturing in Massachusetts are directly related to our exports. That is to say, 137,000 jobs in manufacturing in Massachusetts, are export-related. But, in addition to that, we export a tremendous number of services and there is, obviously, a tremendous amount of spinoff from the wages earned by those who are in the export business and by the companies in the goods that they need to produce their goods and, obviously, the economic benefits to a community as a result of those people working. According to the New England Economic Review, which is a publication of the Federal Reserve Bank of Boston, we lost some 15,000 jobs in this sector between 1980 and 1983 in Massachusetts during a period in which the U.S. trade deficit had nearly doubled from $36 to $70 billion.

As I think most people in this room know, the trade deficit is now $170 billion, and we are losing the industrial base of this country and our ability to be able to compete is seriously effected. One of my concerns is that the word "competitiveness" has now become a buzz word that is merely today's political golden word, which doesn't elicit a real response from us.

So today, we're here to listen to a number of different things. I'm here, as a chairman of the subcommittee, to produce a record which will assist us in drafting our legislation. And we are going to hear from individuals who have personally been effected. We're going to hear their thoughts about what that impact does to them and to their community, and how it is that we are to respond. And we're going to hear from leaders within the communities, as to how it is that our policy or lack of policy affects their ability to manage those communities. And we are going to hear from business people who are trying to survive an onslaught of cheap goods coming in from other countries, of trade agreements, which are not being enforced, of export licensing laws, which restrict their ability to be able to compete, and of changes in the financial world, which have had an impact on their ability to create new jobs and to invest.

It is obviously a complicated mosaic. There is no simple answer. But this hearing is a way of helping me and helping the committee to understand ways in which we can proceed and ought to proceed.

So, without further ado, let me turn to colleagues here. I'm joined by a number of individuals, each of whom have had an enormous amount of experience in these fields.

I'd like to turn first to the labor secretary of the Commonwealth of Massachusetts, a close friend, someone who has really made his mark and helped this administration in this State to make its mark in cooperative efforts between management and labor, to try to deal with some of these issues.

I'd like Paul Eustace, our secretary of labor, to open up with a couple of opening comments, if you have any?

STATEMENT OF HON. PAUL EUSTACE, SECRETARY OF LABOR FOR THE COMMONWEALTH OF MASSACHUSETTS

Mr. Eustace. Thank you, Senator.

I'd just like to, again, applaud you for coming to Massachusetts to open up these hearings on trade policies with the $170 billion trade deficit that you just referred to. I think it's time that the United States came out with a firm trade policy. I know the Governor is looking at trade policies that are being voted in Congress right now. And we know that along with that $170 billion deficit that there are also lots of jobs and many, many lives that are encompassed in that deficit.

I thank you and your committee, and I hope the testimony that you hear and receive today will be helpful in firming up your commitment to this Commonwealth.

Thank you.

Senator **Kerry**. Thank you, Paul. I appreciate that.

Marilyn Travinski is house chairman of the committee on commerce and labor. She was formerly vice chairman. She's been very, very active in helping formulate the workmen's compensation law here in this State and is extremely concerned about the impact of loss of jobs and trade and trade issues.

So, Marilyn, thank you for joining us and we're delighted to have you.

STATEMENT OF HON. MARILYN TRAVINSKI, CHAIRPERSON, STATE HOUSE COMMERCE AND LABOR COMMITTEE

Ms. **Travinski**. Thank you, Senator Kerry. And thank you for inviting me to be a part of this morning's proceedings.

A few brief, formal comments: As house chairman of the joint committee on commerce and labor, I am committed to doing my utmost to insure the facilitation of a continued, vital, thriving business environment in Massachusetts and a stable job market for our citizens. We must be keenly aggressive. Circumstances dictate that we cannot afford to be anything less if we are to keep in step with our foreign competition. We are feeling the vice grip of fiercely intense foreign competition, and it is steadily and surely tightening its hold on our share of the marketplace, both at home and abroad. Many of our traditional manufacturers are using antiquated modes of production and do not have access to the resources which are needed to implement a successful modernization of their facilities.

Massachusetts must apply the techniques used by our thriving, cost-efficient businesses in both high technology and mature industries to our outmoded and inefficient businesses.

By assuming the role of an information broker, our State can bring these two business groups together to work in conjunction with area colleges and universities, which could provide research expertise in strategizing the most effective ways to modernize. In fact, some of our quasipublic agencies are attempting to do just that.

Through the centers for excellence, the proposed centers for applied technology and productivity and various quasipublic agencies such as the Massachusetts Product Development Corp. and the Massachusetts Technological Development Corp., Massachusetts is working with individual companies in the traditional manufacturing sector to design and implement strategies tailored to each particular business.

Focus areas currently targeted for special emphasis include the machining sector, the advanced plastics industry, and the textile and apparel industry. The machine tool industry, for example, is feeling the heat of competition from Germany, where labor costs are virtually the same but production efficiency is substantially greater. Massachusetts' success in improving efficiency in the business sectors most in need will prove vital in terms of achieving the bottom line: Improving the Commonwealth's economy and expanding the State's labor source. In terms of both assisting our businesses' ability to compete with their overseas counterparts and formulating an international trade policy, Massachusetts needs to have solid information regarding its areas of economic strength and weakness in overseas competition. Our trade policy must include a reasoned and rational assessment of what our economic position will be in 5 or 10 years and not merely be reactive to today or tomorrow's newspaper headlines.

If we are to make international trade a priority, our strategy must work in tandem with our existing policy on economic development. It cannot be an afterthought. This is an area of State government in which Massachusetts clearly must work with its potential private enterprise partners due to the fact that international trade is frequently a new or evolving venture for both parties. In addition, the State must coordinate its efforts with the Federal Government and establish a practical working relationship in which the lead role can alternate between the State and Federal levels.

While there is much that can be done at the State level to improve the climate for international trade in Massachusetts, there are barriers to trade opportunities that can only be dealt with at the Federal level. States, for example, can do little about the foreign trade deficit or the value of the dollar. Cooperation and flexibility are vital to the success of this critical element of a workable Massachusetts trade policy.

We are seeing evidence of this cooperation today, through this forum provided by Senator Kerry, and this is a valuable opportunity for Massachusetts to relay its ideas and concerns to Washington through a group of expert witnesses who can effectively articulate the issues involved. The discussion today, I'm sure, will be provocative, enlightening, and productive.

Thank you very much.

Senator KERRY. Thank you very much, Representative. I appreciate those comments.

Senator Bob Wetmore is an old friend of mine. He has served for an extraordinary, I think, 27 years—am I right—in the house and senate combined—22? And, is currently the senate chair of the commerce and labor committee. He has been very active, also, in the drafting and debating of the worker's compensation law. But in addition to that, I had the pleasure of serving with him on the Governor's Mature Industries Commission. This is an issue which he has been interested in for a long time, and Senator we welcome you here. I thank you for taking the time.

STATEMENT OF HON. ROBERT D. WETMORE, SENATE CHAIRMAN, JOINT COMMITTEE ON COMMERCE AND LABOR, MASSACHUSETTS LEGISLATURE

Mr. **Wetmore**. Thank you very much. Thank you for inviting me to take part in this forum.

You mentioned "things changed" in your remarks, and there have been a lot of changes going on. I've seen a lot of changes take place since I've been in the legislature.

I've seen the effect that these changes have had on the working people in Massachusetts. In the past year, 35,000 jobs have been lost in the manufacturing sector.

I'd like to point out to people, I think it's important that we don't get misled about headlines we see in the newspaper about the low-unemployment figures in Massachusetts. I think we have to keep in mind that behind those figures there are also other figures that indicate a lot of people are losing jobs and encountering a lot of problems.

Senator Kerry, as you mentioned, you have worked on the mature industry problem, as I did. And if you would recall, there was a sum of money set aside for reemployment assistance benefits. Well, since you and I worked on that original bill, we've paid 9 million State dollars. And I say: "How long can the Commonwealth of Massachusetts continue to put this kind of money into a program like that?" I hope we can do it forever. However, I think we have to recognize the fact that the way to deal with that is to have a situation where the people are not displaced and don't lose their jobs. It's a great burden on the State. We have to appropriate the money for this program. We've been able and pleased to do it, but I don't know how long we can continue.

Massachusetts is one of the oldest industrial States in the country, and it's been adversely affected by foreign competition and imports. We've seen the erosion of our industrial base by foreign competition for years. The shoe industry, textiles, toolmaking—the list goes on and on—are virtually gone. Our ports, which were once thriving are now quiet. I believe that it's going to take a two-pronged approach to deal with this. I think we have to get some control on the imports that come into this Nation. But I think, also, we have to develop overseas markets for the products that we produce and manufacture here in Massachusetts.

I find it interesting to note, for people who follow American history, that 182 years ago the Lewis and Clark Expedition took place. And it's interesting to read that the President at that time, Thomas Jefferson, said that the reason for that expedition was to discover a direct route for the purposes of commerce with the nations of Asia.

Unfortunately, the people who went to the west coast did not turn out to be Pacific traders. They settled in the Columbia River Basin, and they had everything they needed. They had timber; they had a good agricultural area, they produced wheat. And as a result we never got into being the Pacific traders that President Thomas Jefferson had hoped we would be when he financed—or approved to finance that endeavor 182 years ago.

Well, I think the need is still there. We have to develop our markets overseas.

The Massachusetts Legislature has before the commerce and labor committee, several bills that deal with export development. However, I believe that the State is going to need help from the Federal Government to do this in the proper fashion. There's going to be a cost involved. It will require a joint effort between the State government and the Federal Government to find new markets for our products in nations overseas.

Once again, I'd like to thank you for inviting me here. It's been a pleasure to participate. And I would close by saying: "We need a meaningful, realistic national policy which works with the State."

Thank you very much.

Senator Kerry: Thank you very much, Senator. I appreciate very much your comments and your being here. I should comment that the Senator was also chosen last year, as the Legislator of the Year of the Massachusetts AFL–CIO. He's clearly well-steeped in this issue.

Finally, among those who are—here is Frank Carroll, president of the Small Business Service Bureau, based at Worcester, MA. They are currently servicing about 35,000 businesses across the country. He has been extremely involved in small business issues and development and trade issues. I think he has led about five different missions to China, very successful ones. And has helped me to develop my China trade bill, which we have resubmitted this year, and which I hope will be a part of our omnibus trade package.

In addition to that, he serves as my appointee and representative on the small business committee advisory council, and he's also been representative to the White House Small Business and to the National Advisory Council. So, he is also very well-versed in these issues. And, Frank, it's a pleasure to have you here.

STATEMENT OF HON. FRANK CARROLL, U.S. SENATE, SMALL BUSINESS ADVISORY COMMITTEE, WORCESTER, MA

Mr. Carroll. Thank you very much, Senator. Good morning.

It's always a pleasure to join dignitaries like Senator Wetmore and Representative Travinski, our labor friends, and of course, yourself, Senator Kerry, along with our distinguished guests.

We are losing ground in the international marketplace. The United States needs farsighted policies, which will provide incentives for American business and, in particular, small business to expand into the international marketplace. The only way the United States will reduce the trade deficit is to increase exports. The training for trade bill, S. 738, introduced by Senator John Kerry, is the kind of farsighted measure which uses the same tactics other countries are using to promote trade with China, the largest new market for American products to open to American business in the last 40 years.

Training for trade would provide $25 million in foreign assistance funds to promote trade with the People's Republic of China through a program of training Chinese technicians and managers in the United States. This will help American companies win contracts in China. It stands to reason that a Chinese manager trained on American technology and equipment will import technology compatible with U.S. training.

Senator Kerry proposes that 50 percent of the funds would be set aside for small business. This will open export opportunities for Massachusetts small business, which will contribute to creating new jobs and new taxes in the Commonwealth.

The passage of this legislation is critical for American business seeking to remain competitive with Japanese and Western European business. Competing nations use foreign assistance funds as a means of capturing the Chinese market for their exports. We must do the same, if we hope to compete in this enormous new market. Since 1981, nine other nations have given continual technical assistance to China as a means of gaining access to the China market.

For instance, Japan has provided approximately $37 million a year, Canada $40 million a year; and West Germany has provided $18 million a year in addition to another $22 million in low interest loans. Our industrial allies are very aggressive, through their training programs and financing packages, in using foreign assistance programs to promote their exports. We have an obligation to American business to use foreign assistance programs to promote trade where possible, particularly, if the country receiving the aid does so in anticipation of importing our technology.

I applaud Senator Kerry for introducing the training for trade bill. I endorse this farsighted legislation and urge business and labor to support it. It will create American jobs and help make American business more competitive overseas.

Finally, I encourage you to think of what a new market of 1 billion people could mean to the Massachusetts economy.

Doing business with China is good for Massachusetts business, the Chinese, and for America.

Thank you very much, Senator.

Senator KERRY. Thank you.

If I could ask the first panel to come up, Mr. Lysiak, Mr. Forrant, Mr. Faherty, and Ms. Sikora.

Let me just reemphasize while they're all sitting down, I really can't think of a more important issue for us to be considering. To some people it's dry. I'm sure some of the stories you'll hear from some workers aren't dry. But this country for years has been able to operate in a way that's allowed us to believe that we could just go on being No. 1 because we've been No. 1. I think it's obvious that unless at the Federal level there is a tremendous expenditure of energy and creativity, that simply isn't going to be true. There are more stories about Japanese long-range planning and clear intent to capture our markets and take our jobs. And, if we don't put our efforts into creative new initiatives that are going to compete and fight back, we're going to be in some very, very serious trouble in very, very short order.

So, I'm happy to deal with dryness, or whatever, in order to try to construct some of those initiatives. And I welcome this panel in the effort to try to assist us in understanding it.

Arthur Osborne, who is president of Massachusetts AFL-CIO was with me at breakfast with a number of labor leaders as we discussed this. But he's had a longstanding appointment—medical appointment—this morning for a series of tests, so he is, therefore, unable to be with us.

It's unfortunate, because he is a forceful leader and has a great deal to say on this issue. On the other hand, Joe Faherty, who is executive vice president of the Massachusetts AFL-CIO is well-versed in this issue himself. He is chairman of the Industrial Union Department of the AFL-CIO, and he is going to present Arthur's testimony on his behalf.

The second witness, Bob Forrant of Holyoke, was employed for 10 years by the American Boch Co. in Springfield as a machine tool worker. He was the union officer out there; a business agent of his local. As many of you may know, American Boch was bought by United Technologies back in 1979. At the time, it had 1,800 employees. It very quickly closed its doors, resulting in some 800 layoffs and it has systematically phased out its American manufacturing operation. And tragically, today, its manufacturing efforts are in Italy.

Our third witness, Alice Sikora of Westport, was employed for 27 years as a presser for Needlecraft at Chesterfield, a textile firm in Fall River. They were bought by the Priscilla Co. in 1982, and between 1982 and 1985 workers were forced to accept shortened shifts and, finally, the doors closed in 1985.

Finally, our fourth witness, Joe Lysiak of Worcester, was employed for 27 years at the Johnson Steel in Worcester. He's a former president of the local out there, the Steelworker's Union. The company began its decline in 1978, and then the Los Angeles and Akron plants were shut down and it closed its doors in Worcester in August 1986.

I think we will hear some very interesting perspectives from the people who have lived out some of the agony of this transition.

Let me begin by welcoming all of you, thanking you for taking the time to join us. We look forward to hearing your testimony.

Joe Faherty, if you would begin, we would appreciate it. Thank you.

STATEMENT OF JOE FAHERTY, EXECUTIVE VICE PRESIDENT OF THE MASSACHUSETTS AFL-CIO, BOSTON, MA

Mr. FAHERTY. Good morning Senator Kerry, members of the committee, and guests.

I would like, first, to acknowledge Senator Kerry for arranging this hearing on an issue, which we in organized labor have long maintained as a serious threat to the economic stability of the United States.

The Massachusetts economy, as a whole, is enjoying a boom period. Unemployment is less than half the national average. The total number of new jobs has increased every year over the last 4 years. 1986 saw an increase of 55,000 new jobs in our State. However, one only needs to look just below the surface to find signs that should concern all Massachusetts residents.

You'll hear testimony today from working people in the three industrial areas hard hit by unfair foreign competition in a huge U.S. trade deficit: machine tools, textiles, and steel.

There could easily be workers here from shipyards, footwear, telecommunications, auto parts, and even our highly touted high-technology industry.

In 1960, American workers produced 18 percent of all world exports. Today, we are at 11 percent and falling.

In steel production, imports have captured 26 percent of the U.S. market. More than 200,000 steel jobs, over 60 percent of the total, have been lost since 1979.

What does that mean in Massachusetts? Loss of thousands of jobs in the greater Worcester area. Since 1981, U.S. textiles and apparel imports have doubled, causing the loss of 350,000 American jobs. More than three-quarters of these held by women and minorities. What does that mean to Massachusetts? The loss of thousands of jobs in Fall River and the Boston area.

In 1976, the Japanese had 3.4 percent of the machine tool market in America. Today, their share has skyrocketed to more than 60 percent. What does that mean to Massachusetts? The loss of thousands of jobs in western and southeastern Massachusetts.

Most recently, the closing of the Morse Tool in New Bedford and the fight for survival of workers at the Greenfield Tool and Die in the western part of the State.

In other areas, American industry has been simply overwhelmed. Last year, for example, 77 percent of the American shoe market and 90 percent of our semiconductor chips went to foreign producers.

Massachusetts is only weathering the latest import storm. Earlier, I mentioned an increase of 55,000 new jobs in our State. Unfortunately, another figure from the division of employment security report may be more significant. Over 35,000 manufacturing jobs lost in 1986 alone. The fact is that impact on international trade and competitiveness range from foreign government subsidizing their industries that compete with Massachusetts manufacturers. The exploiting of low-paid workers in Third World and developing countries, restrictive trade laws that allow few American products in other markets and, our Government's unwillingness to recognize and address these issues.

Massachusetts workers are increasingly feeling the effects of the trade crunch. The demands by employers for concessions or wage freezes, plant closings or major layoffs, that push workers from good paying industrial jobs to low-wage service jobs.

The answer to competitiveness is not to lower the standard of living for Massachusetts workers, but to pass legislation that allows them to compete freely in the world market. Organized labor in Massachusetts represents over 400,000 working people and their families. Unions are the only collective voice workers have, and we will not condone the destructive policy of the Reagan administration by our silence.

The United States needs an active trade policy, and it must begin with the acknowledgment that the trade deficit is a serious economic problem to which a solution is needed now.

That solution should include modernizing U.S. trade laws so that we can react quickly to the unfair and predatory practices of other countries; enforce the restrictions on foreign governments that encourage or allow dumping of goods in the United States; define unreasonable trade practices to include the denial of internationally recognized workers' rights; the suppression of labor rights should be considered as an unfair practice and subject to retaliation when goods are made and exported to the United States under these conditions; eliminate tax preferences that reward U.S. companies for shifting production abroad.

Last, I have just been alerted that the House Ways and Means Chairman, Congressman, Dan Rostenkowski, placed a crippling amendment on Congressman Gephardt's trade bill, House Resolution No. 3.

While House Resolution No. 3 was not a cure-all, it contained specific dates to stem the tide of imports. The Rostenkowski amendment calls for gradual reduction that will render House Resolution No. 3 ineffective.

I urge you, on behalf of working people, to oppose any such amendment.

Thank you for your time and attention.

Senator **Kerry**. Thank you for that very clear and very forward, succinct testimony. It was very helpful, and we'll come back to questions.

Ms. Sikora, I'd like to ask you if you'd be willing to go next. Let me just say to you, I bring the greetings of Ida Curbal—she knew you would be here and she was delighted to hear that.

Just for those of you who forgot the initial introduction, Alice Sikora worked for Needlecraft-Chesterfield, a textile firm in Fall River, for some 27 years. She will be speaking from the perspective of dislocated worker and a long-term employee.

STATEMENT OF ALICE SIKORA, REPRESENTATIVE, TEXTILE INDUSTRY, FALL RIVER, MA

Ms. **Sikora**. My name is Alice Sikora, and I'm 58 years of age. I have a husband who is 63, and I have two sons, 31 and 35.

I just wanted to give you a little background. My husband worked fairly steady, but in order to survive, I had to work. I came from a family where my mother had to work in a textile mill from the age of 14 to 62. In order for my parents to bring up six children, we each had to leave school at age 16, to work and bring home a pay.

I went as far as the ninth grade in school. So, off I went to the factory to work as a presser, which I did for 40 years in the needle trades. Thanks to a class the I.L.G. gave for free, I was able to acquire a G.E.D. at age 53—27 of those 40 years were spent at Needlecraft Manufacturing in Fall River. In the late 1950's and 1960's, there was work in the bins to the rafters. We worked 48 hours a week sometimes—most times, I'd say. If an employee stayed home, for whatever reason, a day or whatever, the employer came by the house appalled, because they needed the work out.

One could leave a shop, quit for any reason, and have a job at another shop in minutes. Everyone had loads of work.

We started to notice differences in the 1970's, with sporadic layoffs. By the 1970's, friends from other shops and ours were finding ourselves at the unemployment office more and more, working less hours, depleting our unemployment money with partial payments so that the following year friends and myself were working on short time. In total, we would often bring $40 to $50 a week unemployment money. At this time, Needlecraft closed, reorganized, changed to Priscilla Dress. More customers came, less people rehired to see if they could survive, only to close in September 1985.

Having been an active union member, I attended monthly union meetings and heard reports from each chairperson and business agent, that things were getting worse. We were losing shops, going out of business, because the employers were not competitive enough.

In the late 1970's and early 1980's, many of us took cuts in pay from time to time to allow the employer to bid at a lower cost. But how could they compete with such low wages paid by overseas manufacturers?

In the early 1980's, my boss lost two very good labels, those are jobbers that sent us the work: Evan Picone and Schrader Sport, which was a big, big order, which sent all their work to China.

As there were plant closings, the I.L.G. was able to open a labor assistance center by matching moneys for the dislocated workers program, and I was able to get a job there to work with the people from the plant closings, which were coming fast, not only in needle trades, but others like shoe factories.

I'm able to relate to the problems these people have, such as feeling left out, losing contact with long-time coworkers, friends, trying to figure out what's next, falling behind with bills. Where does one go next?

The factories that are trying to stay afloat get small orders and the jobber wants them right away. So the employers hire people to get the order out, and then they're out again collecting unemployment when the order is done.

A friend and coworker who had worked at Needlecraft-Priscilla for 35 years is now working in a shop that will close this coming week. She is a self-supporter, 61 years of age. Since we've lost about nine sewing factories in the last year, things are tightening up. Once out of the union, she will have no health insurance. A client at my dislocated worker's program worker's assistance center is a male, 52 years old. He's a spreader. He's out of work due to a plant closing, soon to lose health insurance benefits, self-supporting, living in a section 8 house, does not have any other skills, is turning to the bars during the day. About 6 months ago, we had a client, female, 54 years old, self-supporting, had been underemployed for a few years and then the plant closed for good. This lady was collecting unemployment of $50 a week and paying $70 weekly rent, falling behind fast. She had one skill, tagging and buttoning and checking dresses for shipment. She had done this for this one factory for 38 years because she had to walk to work and back, a long haul at that.

We had a tough time convincing her she should take a job on on-the-job training which involved taking two buses to get to work. After referring this lady to get energy assistance and food stamps, we even offered her some good used clothing that she was grateful to get. We made a friend and got her to take the job, which brought back some of her dignity.

There are plenty more stories of fact that I could relate, but it would take hours. If something isn't done about imports, plants that are operating, at least in Fall River, will be falling by the wayside soon.

Senator **Kerry**. Thank you very much. That's a very graphic description, and I know you could, obviously, add a lot to that. I'd like to come back to the questioning and then we can explore that a little bit.

Mr. Forrant.

STATEMENT OF ROBERT FORRANT, REPRESENTATIVE, MACHINE TOOL INDUSTRY, HOLYOKE, MA

Mr. **Forrant**. I'd like to start—I prepared testimony—I'd like to start with two things that happened, one on Friday after the testimony was written, and one on Saturday when I went to the grocery store to do the weekly shopping, because I think both things point out the problem that we're all talking about.

The first thing is that the job I have now is looking into and researching the machining and machine tool industry in Hampden County to try to look at the strengths and weaknesses of the industry. It's on a grant that's coming through the State of Massachusetts.

Senator **Kerry**. Let me just ask you by way of introduction. How long were you on the job you were at?

Mr. **Forrant**. I was on the job as a machinist for 6 years, and I was business agent with the union for 3, before the plant closed. And now I've been working on this project for about 8 months.

Senator **Kerry**. How old are you now?

Mr. **Forrant**. Forty.

Anyway, I went to a plant last week, and I was walking around. I got a tour from the owner. And I noticed that about two-thirds of the machines that he had were Japanese. So we went through the plant—and I didn't want to make waves because I'm supposed to be there to get information. I didn't want to get combative about, how come you have all these Japanese machines? So, anyway, we went back to his office and we started talking. And I said, "By the way, I couldn't help but notice that two-thirds of your cutting tools were Matsura, which is from Japan." I asked him why and he said that he was dedicated to buying American machines, but that—he bought from one specific company. I won't mention the name. And he started having trouble getting the machinery services. So, he finally called the owner of the company and he asked him what was going on. He said, "We're having a real cutback, as you know, in the industry, and what we've decided to do is put all our service people on a 1-week-on, 1-week-off schedule." So, the owner of this plant in Westfield said, "When I have trouble with your machine and I have a customer that wants some orders and I call, I need the machine fixed. If I happen to call on the off week, what am I supposed to tell the customer?" He said, "Oh, that's just the way that it is."

As a consequence, he looked around and started buying the Japanese equipment. The Japanese company has a service/supplier in

Massachusetts. He makes a call if there's something wrong with those machines and he gets service within 24 hours.

So, consequently—and this is a company that turns over their equipment every 5 years—they're going to buy strictly this machine, because of the service he gets. Where 7 years ago, if you went in his facility, every machine would have been an American-made machine tool. So, that really—I think that put, for me, a really clear prospective on something that has to be looked at in all this.

The second point is, I was in the store Saturday shopping and I bumped into a guy that used to work at the Boch plant. He's been out of work—was out of work for 7 months and finally got a job as a truck driver. I asked him how he was doing, did he like it, and he said "No." And I said, well, "How are you making out financially?" And he said, "Well, I have to work, roughly, 14 hours a day, 7 days a week to make the same kind of money that I was making on a 40-hour week." I said, "What's that done to your family?" And he said, "My wife is threatening to leave me at this point. She never sees me and she's stuck with the kids, the bills aren't getting paid." Very similar to the stories that we've already heard.

I think both of those things, for me, put the whole situation that we were faced in a real perspective, just a couple of days before I came here. So I wanted to share that with you. It's not in the testimony.

I'd like to extend my thanks, as others have, to you for holding the hearings. The issues of plant closings, imports, and their effects on workers and jobs is one I am quite familiar with.

For 8 years I worked as a boring and turning machine operator at the American Boch Plant in Springfield. And from 1984, I served as the business agent for the union, International Union of Electrical Workers, Local 206.

Approximately 1 year ago, on February 4, United Technologies Corp., a plantowner, announced they were going to close the factory, throwing approximately 1,000 people out the door. Awareness of the impact of plant closings came high for all of us.

Hampden County has lost over 5,000 machinist jobs in the last few years. The Boch closing was a culmination of a painful trend in that part of Massachusetts. This recent history is in stark contrast to the generally glowing economic news coming out of the State house these days.

The good news has caused many people to question whether the loss of thousands of manufacturing jobs really matter. Since there is obviously gainful employment to be found, why worry about some machinists losing their jobs in Springfield, Pittsfield, or Lynn? This line of reasoning generally runs that these factories have gone through their life cycle, so that's the way it goes.

The problem with such an argument is that it makes plant closings and the significant issues that accompany them seem trivial and the natural way things must be.

The reality, however, is far different. The Boch did not have to close. Hundreds of decent hardworking individuals did not have to be thrown out the door like some excess baggage. A machinist who spent 15 years working in the factory had his or her entire identity wrapped up with their job. If you ask a machinist with some seniority in the plant to describe who they are, they will almost always tell you where they work and what type of machine they run within the first few minutes of conversation. The social world revolves around the workplace and activities with their friends, either before or after their job is done for the day.

Being forced off a job hurts. It forces you to rethink all of your basic assumptions about yourself. It causes you to alter major life decisions like buying a house, getting married, having another child, sending your children to college. It is painful, and you never forget it.

What about the Boch plant itself? It was purchased by United Technologies in late 1979. In retrospect, it was probably doomed to failure from the moment the ink was dry on the purchase and sale agreement.

United Technologies is a huge and arrogant corporation driven entirely by the bottom line. The devastation they caused by closing the plant never entered into their minds at all. In fact, right after they bought the facility, they shifted a major portion of Springfield work to Italy.

Diesel pumps for farm machinery were produced in Springfield for years. Whole lines of machines were pulled out of the shop and sent overseas. Almost 450 people lost their jobs as a result in 1980 and 1981. This was the beginning of the end for the Springfield facility. Right after this layoff, Local 206 alerted the community and publicized its fears that the gates would soon be closed for good.

The corporation told public officials over and over that the union was wrong, that U.T. was committed to Springfield. The company negotiated a new piecework system with the union and promised a $20 million investment in modern machinery would go with it. This was their proof that they were going to stay.

I might add that this contract came as a wage reopener which the union agreed to enter into, because the company threatened that if we didn't do it they were going to leave Springfield.

Right up to the end, they promised and promised the committed money. Then, on February 4, 1986, they issued a three-sentence statement that the plant would be closed as soon as possible. The bulk of the work was quickly shipped to facilities in Italy and Holland. Some work went to a new plant they had recently opened in South Carolina. Most of the overseas work was Department of Defense-related.

The reason the company gave for closing was an overcapacity problem. The situation could be rectified most easily by closing Springfield. The hard reality was that plant closing laws in Italy and Holland would have made it far more expensive to close the plants in either of those countries.

While using the overcapacity problem as the reason for closing, the company also announced that it had a backlog of over $11 billion in unfilled orders as a corporation in their 1986 annual report. By our calculation, over 50 percent of this backlog was Defense Department-related work.

This is an important factor, keep in mind. Lots of machining work going out of the country is not ending up in low-wage parts of the world at all, as is traditionally believed. Our work was put in Italy and Holland. Why? Wages were not any cheaper when transportation and other charges were factored in to get the work to customers in the United States and European markets with a number of its industrial and commercial products. The best way to establish this beachhead was to set up shop there. It also helped to be there when bidding on NATO defense work.

In addition, machining work is going to Western Europe, because the technologies and engineering techniques are far more advanced. The work can be done better and faster. Our large factories have been run into the ground. Now it is cheaper to invest where modern machining technologies are available now, rather than have management make the needed capital equipment improvements here.

Policies making domestic investments in modern machining technologies mandatory for major Government contractors should be considered. If attention is only focused on the import side, a fundamental point will be missed, in my opinion. Once the manufacturing base of the company is totally eroded, import restrictions will result in our inability to furnish our own needs, as well. We will be blocking our own access to the needed goods that we have begun to produce now entirely overseas.

What is the human cost of this disinvestment policy many U.S. corporations have engaged in over the past 10 years? A model developed for the machine action project, which is the new job that I am working on, by Data Resources Inc. of Boston, indicates that the lost wages alone resulting from the Boch closing will be $45 million over the next 5 years.

Today, a little over 1 year after the closing, 200 of the 700 machinists who lost their jobs are still unemployed. Approximately 350 people are working again, but with pay that is on average 20 percent below their former wage.

Another 150 workers are in training programs or have retired. Many individuals are still lost and confused by what happened to them. Older workers forced to retire before they were prepared for it emotionally, physically, and financially, have been hardest hit of all. I have seen many of these people age, almost overnight, to the point where they can only get around with tremendous physical effort. After being productive human beings for 35 years, their whole sense of pride and dignity has been robbed from them. I have also talked with 40-year-old workers with mortgages and mouths to feed who cannot make ends meet, taking home $80 to $100 less a week.

Many of these people have had a difficult time finding work in machining because they have limited skills. Their work history at Boch consisted of running the same machine and the same production pieces over and over again. Small shops that are hiring in our area need flexible all around machinists.

Trade legislation alone will not resolve some of the problems I have mentioned. The critical issue is the need for policy initiatives that will help rebuild a manufacturing infrastructure.

If corporations are allowed to continue to ship profits out of this country, the Boch situation will be repeated again and again. Import limits will not prevent this from happening. We need to look closely at the machining trades in Europe to see what they are doing to rebuild industry. Without this all-around approach, very little will be accomplished.

Thank you.

[The prepared statement of Mr. Forrant may be found in the appendix.]

Senator **Kerry**. Thank you very much. That's very important and helpful testimony, and we appreciate it.

Mr. Joe Lysiak is formerly president of his union down in Worcester's Steelworkers and worked for a great many years—20½.

So, he is also personally aware of this problem as well as a leader of the group.

STATEMENT OF JOE LYSIAK, REPRESENTATIVE, STEELWORKERS INDUSTRY, WORCESTER, MA

Mr. **Lysiak**. Thank you, Senator Kerry, for requiring this hearing. We might have won World War II, but we lost the battle. We built up Germany and Japan, but in the process neglected to update and modernize the equipment in this country.

I am 45 married, own my own home—well, the bank does. I'm the janitor.

As past president of Local 3189, United Steel Workers of America for 8 years, worked at Johnson Steel and Wire for over 20 years, graduated from Wards Business School in 1962, after my tour in Vietnam, I went looking for a job. A junior accountant was only getting paid $80. The wire mill was paying $130 plus benefits.

I'm presently working with the Worcester Dislocated Workers Assistance Center with two fine people, Kevin Johnson, also a dislocated worker, and Geraldine Hoop.

To give you a little background of our company a steel company in the Worcester area, back in the 1970's, the company was doing very well. We had a plant in Akron, OH, and Los Angeles, CA. We had approximately 600 employees between these three plants. In 1978, Johnson Steel and Wire closed the Los Angeles plant. In 1981, it closed the Akron plant due to imports. In 1980, we had concession bargaining to keep the Worcester plant open, which included $1.10 per hour, cost of living, job accomodations, eliminations of jobs, et cetera.

In 1982, still the company couldn't make it. We gave up our pension to the degree that everyone over 10 years was vested, but couldn't accumulate any more years. Soon, later, the company filed under chapter 11.

Again, the company cried that the imports were killing them and they couldn't be competitive. So in 1983, concession bargaining again, which included 65 cents per hour, a holiday, combining of more jobs. We gave up our extended vacations, et cetera.

In 1985, the company received a loan from the State, Proctor's Bank and Bank of Worcester; a loan of $2.2 million to get them out of chapter 11 and to purchase some new equipment from Italy, and not from a company 1 mile away from Johnson Steel.

The equipment never got off the ground. The motors kept burning out. In 1986, the company came back to the negotiating table again, asking for $3 million in concessions from the bargain unit.

The members were tired of concessions and rejected a contract. August 18, 1986, the company closed. Today, the company still owes its employees, management and union, part of their vacation pay. There was no severance pay. The retired lost their life insurance.

A little history about the wire and steel industry in Worcester. The wire and steel industry in 1977 became a cancer in the Worcester area due to imports. U.S. Steel, in 1977, lost—closed and lost 370 employees. New England High Carbon closed in 1980 with 150 employees. Worcester Wire, in 1982, 155 employees. Thompson Steel and Wire, 1983, 118 employees. Johnson Steel, 1986, 160 employees. These figures are only for union members, and I do not have the management tacked on or employees of the management.

Not only does the importation of steel and wire products hurt this industry and put American men and women out of work, but it has domino effects throughout our country. The need for T.R.A/T.A.A. is very important. I am presently working with men and women, on the average age 45 many without a high school diploma who have only known one type of job and have worked 18 to 30 plus years in one place.

What am I doing now? The industry. I know is gone. I have no other trade. These are the questions I face every day. We need the T.R.A./T.A.A to continue to put people who have been effected by imports to return to work in the equivalent or better employment as quickly as possible.

People don't want to collect their—excuse me. These people don't want to collect, they want jobs.

This program could help in the job placement or employment training, job search, and relocation. We presently have people turning in electrical class I and II licenses, introduction to computers, gas heat installation and oil burner repair, carpentry and cabinetmaking, real estate license, typing, word processing, air conditioning, getting a high school diploma.

It is essential that T.R.A. benefits be there as a safety net for workers and straight to the men and women in their late fifties and sixties, who are finding it very difficult to find employment.

The problems with Johnson Steel and Wire were with the same problems that other companies encountered as the result of foreign imports. If we should ever have to go to war, where are we going to get our steel?

Thank you.

Senator KERRY. Thank you very much. I'd like to begin the questioning. Let me ask you a couple of questions?

Bob, the people who lost the jobs, your coworkers, out of those 700 or 800, you said that something like 200 had found other jobs—or 350 had found other jobs?

Mr. FORRANT. 350 workers.

Senator KERRY. 200 are doing what?

Mr. FORRANT. Are looking.

Senator KERRY. Are looking? Still at this point in time?

Mr. FORRANT. And there are approximately another 150 that are in training programs funded through the worker assistance center that we have.

Senator **Kerry**. What kind of jobs—among the 350—what kind of jobs did they find, compared to what they were working at; do you know?

Mr. **Forrant**. The people that we have the best data on, a lot of them ended up doing—working in small machine shops. The more skilled people in the plant, toolmakers, gauge makers, tool shoppers, people like that, found jobs rather quickly. There's a large—there are about 325 small-to-medium-size metalworking firms in the county. So, a lot of these people are all-around skilled type of people I was talking about. They found jobs pretty quickly.

Another group of people, older workers, some of them are working as janitors, some of them took jobs in larger—entry-level jobs in places like Smith and Wesson or Monsanto—places like that. Very few people outside of skilled machinists, the really skilled people, took a job at a comparable wage.

Senator **Kerry**. Most of them went down in wage?

Mr. **Forrant**. Yes.

Senator **Kerry**. Can you tell us whether or not most of them also went to service sector versus manufacturing?

Mr. **Forrant**. I don't think that—my sense of it is that the service—if people went to service sector at all, they went to a fast food kind of a thing or something like that or a janitor or something. The problem with the service-sector argument, while there's a lot of jobs is that, the people—as everybody said that are effected in their forties and fifties, and even in their late thirties, have been machinists or in the garment industry or the steel industry. The service jobs require a different—I mean, they don't have word processing background, they don't have typing background, they don't have a lot of the kind of skills that are transferable. They are trained to do one thing, and that's what they've done. So, no. They're not being absorbed into that end of it, at all. And that's a problem with the argument that says that the growth of service will take care of everything and it's building up and don't worry about it. It's not true.

Senator **Kerry**. Was there a training program in place at the time that the layoffs took place?

Mr. **Forrant**. We started one almost immediately after, because there had been a lot of back and forth with the State, and we were worried. So, we had set some—as soon as—almost within a week after the announcement, we had something going at our union hall to start to move people into counseling and resumé writing and how to call up and look for a job and that type of thing.

Senator **Kerry**. How much notice did you receive before the plant closed?

Mr. **Forrant**. That day.

Senator **Kerry**. The same day?

Mr. **Forrant**. The interesting thing was, we were supposed to start negotiating a contract. The company came to the union and said, "We want to meet. We have a new person that's going to be negotiating for our side." And the union had just had elections and had two new people on our committee. They wanted to get together and go over the groundrules. So we set up a meeting for 2 in the afternoon on February 4, at their request to do this, and we walked in and they handed us a memo which they handed to Paul and the

Governor's office and Congressmen Boland's office and the mayor of Springfield's office. Simultaneously, at 2, they walked into these five places with this three-sentence memo, "We're out of here. The plant is closed." That's how we found out.

Senator Kerry. What did you feel like when you found out?

Mr. Forrant. Actually, at the time, I don't think I felt anything. I don't think I believed that it was really happening. I think, a little later, we were extremely angry. And we tried to exercise a certain amount of discretion and not go over the table because we felt like we had to try to negotiate something, either a closing agreement or try to fight to keep the plant open. So we didn't want to blow our cool and never be able to meet with them again. It's an extremely difficult position to be in.

You try to represent a 1,000 people, and you want to go across and strangle somebody, literally. But you don't want to do that, because you still need something from them. It's a—unless you've been there——

Senator Kerry. Did the company deal with you squarely?

Mr. Forrant. No. I mean, we set up meetings twice in 1985; once in July and then again at a meeting that we asked the State to have in November. I think Paul was at that meeting—late October, early November 1985—where we had—and Congressman Boland's office was there and a number of State representatives—to find out from the company were they, in fact, thinking of leaving. Now, at both of those meetings, they absolutely said "No." In fact, they went so far as to say that they wanted the people there to tell the union to get off their back, that we were driving them crazy about trying to find out whether they were going to stay or go and we should just knock it off because they were staying, and why didn't we believe them. So, that's, you know, that's how we were dealt with in that environment.

Senator Kerry. Let me ask you one last question before I move on. You're also, obviously, versed in some of the larger issues here.

Do you think the company could have afforded to have undertaken either a training program or have not closed and still made a profit? Or was the company in a position where it had to choose between fundamentally making a profit and competing against other wages, lower, et cetera, or moving?

Mr. Forrant. I think—our sense of the corporation is that—and we did a lot of research on them—is that they could have easily found work in their backlog.

As I said in the statement, they had about an $11½ billion backlog of work for orders in-house on hand to be machined. This is corporatewide not just—obviously—not just for the division that we were in.

So, to our way of thinking, something could have been done to try to free some of that work up.

We actually had gone so far as to put together a buyout, put together a funding package to try to buy the building and get them to give us some of that work, buy some of those in-house/in-hand contracts to put in Springfield to get the plant up and runnin And they sort of strung us along and then left.

They did come up with some money at our insistence, an through a number of demonstrations and rallies and things we ha after the closing to sort of quiet us down. They did come up with $600,000, which is part of the retraining center. And then another $600,000 in money from the State. So, to that extent, we at least got that out of them. But they could have—they easily could have spent a little bit more than that.

Senator **Kerry**. Would leadtime, with respect to the closing, have made a difference to the training and employment prospects of people afterward?

Mr. **Forrant**. I think leadtime would have helped, in the sense that people could have—nobody wants to admit that it's going to happen. And the general tendency, I think, is for everybody to deny it. It's like if you had cancer, the first thing is, "No, not me. It can't be me. I don't have it." And, if you really analyze your plant and you see that something is happening to it, your first instinct is no.

I think that notification of a reasonable length of time allows people to put themselves financially in order and allows them to plan their long-term situation.

I know one of the biggest problems that we had were, there were a halt a dozen people that closed on houses within about a week or two before that announcement who then, all of a sudden, had no money to make—they got a mortgage on the basis of the wage they were making, on the basis of the promises the company was making that they were staying. Then they were—we had to go to a few banks and, basically, we were able to—the banks cooperated in that sense. But just on that human—just on the human level alone, it makes a difference. And, also, just in terms of also looking into possibly buying the plant and giving us some time to try and do that.

Mr. **Eustace**. Senator, if I may? Just to amplify on Mr. Forrant's last answer to your question. We have found over the course of the last 3 years that where notification is given, that the workforce is a lot more—a lot easier to reemploy and to bring in for retraining and a lot more easy to work with, because they've had that 2- or 3-month time where they can just really get their house in order and their lives in order.

We had a difficult time dealing with the Boch people, not that the people were difficult, but just had not settled in yet that, in fact, it was going to be a plant closing. The other areas we've worked with that have had that type of notification, the people had been more or less committed. They knew what was happening, and it gave them that adjustment period.

Senator **Kerry**. One last question, Bob. You said that—I think it was you who said that Holland and Italy had plant closing laws, and it would have been more expensive for them to close their plant in either of those places so, in fact, you're saying that the lack of some sort of restriction here made it easier to make the business decision; in terms of bottom line that it was better to close the plant here and go over there. So, in fact, there was an incentive to do so; is that what you're saying?

Mr. **Forrant**. Yes. In Italy, for example, they would have had to pay the workers in their facility the equivalent of 6 months' pay. We had all we could do to negotiate some severance pay that, basically, I think, for someone with 35 years in the plant, I think they got $7,000, which is a long way from 6 months' pay.

You know, other factors went into their decisionmaking, but that certainly had to be one of them. The government is a lot less kind to companies that do that in those countries.

Senator KERRY. Alice, let me ask you, if I can. How much notice did you get before you lost your job?

Ms. SIKORA. Well, I guess we could see it coming, as I said, over the years. It's nothing new. I've written you letters about imports and how it impacts on our people and my friends. We could see it coming. The writing was on the wall, and we were laid off for 6 months. And suddenly, it was a reorganization and a new name and less people working, less hours. And then, in 1985, Nick Russo, the manager of the I.L.G. said that he would try to get a worker assistance center opened and would I take the job. And I did leave the job and 3 months later the factory closed down.

Senator KERRY. How long did your health benefits carry over; if at all?

Ms. SIKORA. In a plant closing, the health benefits are carried over for 3 months and then they get an extension of 3 months. So it's a total of 6 months and then you're out.

Senator KERRY. Now, where did your fellow employees find jobs, if they did?

Ms. SIKORA. Well, as I said, some of them went into other shops only to be laid off again. And, you know, they keep trying to circulate in the needle trades because that's all they know. You know, that's all we did. I just pressed for 40 years, and that's all I knew. And it's kind of hard to retrain in something else. And your mind is saying, "Well, here I am 40 to 50 years old, what do I do now? Do I go to school? What can I learn?" You know.

Senator KERRY. What do you and your fellow workers say, when you sit around and you talk about the Federal Government or Washington, and you say "Why don't they do this? Why don't they do that?" What is it that you most think that the people in Washington could do that would really help; is there a clear understanding?

Ms. SIKORA. I think, you know, it sounds as though we sat around and made up a story, because our stories were virtually the same. And I think it's on that idea where the Government could, say, you know, tougher laws on closing or sending our work out to be brought back into this country. I think there should be, you know, a penalty of some kind, because I can see that's where it's going. Over the 40 years with all the work we had, then suddenly watching it dwindle and go out of the country. And, it's not coming back any cheaper. It might be coming back cheaper, but when I go back to the stores, the prices are way up there, you know, in the import.

Senator KERRY. Let me ask this question, and I ask it of anyone here. Maybe it's a hard one to answer.

Years ago, particularly here in Massachusetts, we saw textiles move out and they went south; they went down to South Carolina and Georgia and places, because labor was cheaper. And we had commerce within the United States move to other places within the United States, and we kind of swallowed hard. It wasn't nice, but it wasn't this notion of "Gosh, Japan or another country." It didn't invoke nationalism. We got mad at South Carolina or mad at the South, but we lost some jobs. And Lowell has only recovered in the last 5 years, really, from that very happening some 50 years ago.

Now, we're seeing a whole new world marketplace where we're competing with everybody else. Is it different with the rest of the world now or is it the same phenomenon of jobs looking for the cheapest place to be able to compete, because if it isn't cheap you are not going to be able to meet the bottom line and keep the company going? Do you see a similarity, a difference?

Ms. **SIKORA**. No, I don't, because they went out of this area and went to the South because the people worked for less wages. But in this case, we're losing the needle trades to other countries only to bring the finished work back here.

At least in the textiles, it stayed in the country. They might have been in the South, but the money was still going around in this country. But now, it's being done out of the country at a cheaper wage, coming back and retailing at a higher price. So, there's—you know, it's hurting the person when they go out with their pocketbook that has less money in it, actually. Coca Cola did that, you know, the American clothing line. And they went to Sri Lanka and China, and half of the clothing made out of the country and brought back and sold for good money here. T-shirts for $32. It's not cheap.

Senator **KERRY**. Has that left a bitterness in the mouths of your fellow workers?

Ms. **SIKORA**. I would say so.

Senator **KERRY**. How would you describe their feelings now?

Ms. **SIKORA**. They're very hurt. They're very hurt that they can't—a lot of the families have broken up and, you know, the husbands have left and the women are self-supporting now, and they're just about making it.

I have a client, as I said, and there are more stories of being evicted from her home. Another one that's going to move in with her sister because she can't make it. There are lots of stories like that and it's bitter. It's a bitter pill. And they're going down. As I said, there's another shop that's closing Friday, another factory.

Senator **KERRY**. Joe, do you want to——

Mr. **FAHERTY**. Senator, on that same question, the trade imbalance and the deficit, I think, has a lot to do with what your question is. If the shops had been down in South Carolina, at least there would be an opportunity for us to change and maybe follow those trades down if we wanted to try to unionize the shops. Some were successful, some were not. But the going overseas and the unfair competitiveness that they would have with—some countries don't even allow trade unions there. The amount of money that they pay the people in a week is something that our trades would make in an hour. You cannot compete with that. That is noncompetitive. But the amount of money that is going out and then goods coming back, and we're sending money overseas that will never be back in this country again to enable to buy things in this country. That's the unfairness, and if it stays within the confines of the

United States, at least it has the money moving within the country. Once it leaves overseas——

Senator **Kerry**. Let me just follow up on that quickly, and then we have to move to the next panel.

But, what do you say to the argument of people who come back at that and say, "OK, we shut our doors; you have a closed market for the United States, but you're not going to be able to grow. You're not going to have the opportunity for growth by being able to move into other countries to sell your goods because they're going to reciprocate. They're going to come back and shut their doors to our goods and our products. And we are still the largest exporter in the world." What do you say to people—you know, if you shut the door to them, they're going to shut the door to you. Does it come back to haunt us or not?

Mr. **Faherty**. I'm not saying shut the door. I'm saying, fair trade. There are quite a few countries, Japan, Korea, Sri Lanka, that do not allow our products in their countries. We're looking for fair trade.

Ms. **Sikora**. And limit them.

Mr. **Faherty**. Yes. That's what we're looking for, to be able to compete with them. Not so much in the money, but to be able to have our goods go over there. Our goods cannot go over there.

Senator **Kerry**. Let me just comment, as a matter of record, so the record is clear here. I couldn't agree with you more, and I really wanted to hear you say that. There is a long and tragic history, in the last 6 years, of reciprocal trade measures that could have been taken that have not been taken. The trade law that we have on the books today, section 201, section 301, gives the President of the United States, the power, today, to take steps against countries where they engage in unfair trading practices. And I think what a lot of people in Congress are frustrated about is, that we are simply not getting those actions. No matter how much we ask them, they have not brought those actions to give us a fair playing field. And so, you're absolutely correct. We're seeing chips, computer chips, dumped in the United States. We lost 50,000 computer jobs last year and yet, there's been no fundamental effort until very recently. Now, they're suddenly moving on it because I think it's politically heating up as an issue. But it's gone for 6 long years and we may never make up the difference. We may never catch up and get back that market share. So, I appreciate your comment, and I'm particularly sensitive to that, and I understand where it is.

Ms. **Sikora**. Senator, one last thing, not to interrupt you. I brought some copies of some pay slips from 1983 and 1984 to show you how insidious it is. I would work 12 hours, 4¾ hours. In April, 4 months into the year, I made $600 gross pay.

Senator **Kerry**. This is for this——

Ms. **Sikora**. In needlecrafting.

Senator **Kerry**. In which year?

Ms. **Sikora**. In 1983. It's just an insidious thing. As the years went by, it was the same thing. You know, we would work 7 hours a week, 20 hours a week, 3 hours a week. And it's an insidious thing. Then, finally, the shop closed.

Senator **Kerry**. Joe, do you have anything you want to add before we——

Mr. **Lysiak**. I just think that the equipment in the steel industry today is 40 to 50 years old. If there's some way that the Government could subsidize or help the steel industry or other industries in the country to modernize their equipment instead of spending the money for something else, I think it would help.

Senator **Kerry**. As you know, there was a major tax credit given to a number of—U.S.X., I believe, got a major amount of money from the Federal Government and went out and diversified and started buying other companies with the additional money. I think the Congress is sensitive to that demand. But, if it's going to provide any ability to do that, most people feel it's got to be with some very strict limits so that they buy that kind of new machinery and not go out and buy Marathon Oil, which is a bitter pill that people still remember.

Mr. **Forrant**. There's just one more point. The small- or medium-size shops that I've been talking to, the last round of tax changes with the investment tax credit, that hurt those shops and their ability to buy equipment. It caused a lot of them to rethink buying machine tools because they couldn't accelerate the depreciation fast enough on that equipment.

So one of the things that I'm hearing from small- or medium-size places that are going to buy machine tools is looking at all this tax incentive that allow—particulary on N.C. and C.N.C. equipment—modern machine tools, are quicker depreciation on those machines.

Senator **Kerry**. I was going to ask you that question, and maybe you want to add to the depreciation issue. But, what other measures, if any, or what initiatives could we take that would help rebuild the manufacturing infrastructure of the country? Is it accelerated depreciation? Is it investment tax credit? There is a certain irony in my asking this, because, as you know, last year these were all knocked out with the new bill, the new tax law. So, where do you think we ought to go in rebuilding?

Mr. **Forrant**. Talking to the places that seem to be the most involved in trying to do that, the small- or medium-size shops that we deal with. Those are the two things that come up in every interview. We've gone to 50 shops and interviewed the owners. That's come up in every interview.

The third thing that's come up is——

Senator **Kerry**. What's come up; investment tax credit?

Mr. **Forrant**. Investment tax credit and accelerated depreciation, particularly on N.C. and C.N.C. equipment. They don't care if it's not on anything, but it's on the stuff that will push people to modernize. That in order to compete with West Germany or Italy, which is where a lot of precision machining is done, you need to be able to have the equipment to do that, which is what they have done in those countries.

The other thing that's come up is the whole question of training. In spite of the fact that we've lost 5,000 machinist jobs, small- and medium-size tool-and-die and gauge shops and precision machining shops can't find workers that have the all-around skills. There's got to be a real emphasis on retraining, to take the skills that machinists already have at a place like Boch and make them well-rounded machinists.

We could find jobs for about 150 people right now, if they had all-around machining skills. They don't have them because of the nature of being—as everybody said—being trapped when you work for somebody, into doing one thing over a long period of time.

And the other thing is, I think that as a country, it has to get off of the idea that it doesn't matter if we lose the manufacturing base, because what that says to these people that are out there with small- and medium-size shops is that nobody cares. Nobody cares about us. Nobody wants to hear what we're saying. Nobody wants to listen. And all you hear about is the big one that closes. What you don't hear about the medium-size one that had 50 people 2 years ago and now has 150. And, all they're hearing is that industry is leaving and that nobody should care about it any more, because that's just the way it goes.

There has to be a fundamental recognition that we need to—we need to do a Marshall plan, if you will, in this country, for our industrial base. And if that's put on the front burner, that will create the kind of energy that we need.

Senator KERRY. I think that's a solid, perceptive comment. I appreciate that. We will really take it to heart. Thank you all very, very much.

[Recess.]

Senator KERRY. Please come right up. We want to keep rolling here. The hearing will come back to order here. This is the panel of mayors.

I'm sad to report that Mayor Flynn has been called for jury duty today. And, as you all know, under the new system nobody, but nobody, is excused until the Judge says you're out. And I'm sure that some jury would like to have the mayor. But we are delighted to have a representative from his office in his place; Marilyn Schwartz-Lloyd, who is the executive director for the Economic Development Industrial Corp. for the city. And she will offer his testimony, and we welcome you. Thank you.

I'm delighted, also, to welcome two other mayors, both of whom are close friends of mine. Both of whom represent cities which understand, as well as any cities in Massachusetts, the impact of foreign trade. Mayor Bernie Chartrand of Fitchburg faces a long history of industrial manufacturing problems. His community is based on industrial manufacturing, particularly paper and tools. Today, manufacturing still comprises 32 percent of the employment population of that city. However, Fitchburg, in the context of the trade deficit, has been adversely effected in three areas: paper, machine shops, and plastics. And plastics is, obviously, the hardest hit by foreign competition. So we will look forward to his testimony.

And Mayor Charlie Smith of Pittsfield. The mayor has just recently completed a tour of Japan and Korea. As many of you know, he adopted a new son on that trip, which was a wonderful gesture and is an outgrowth of his own involvement when he was in the military service over there.

Pittsfield has grown into the largest industrial center in western Massachusetts, and is one of the largest in the State of Massachusetts. Manufacturing represents 37 percent of the employment population there, with electronics and electronic equipment leading the industry, with about 7 percent of the manufacturing employment.

The obvious looming problem in Pittsfield is General Electric, the city's largest employer, and the transformer plant in GE is facing enormous competition from Korea, where a single government-sponsored company is capable of filling every order for transformers in the world.

So, Mayor Smith shares with us his finding from that recently completed tour, as well as the impact of the current industry problems in his city.

We welcome all of you. We're delighted to have you share your very real practitioners' experience with this export problem.

And, we will start with the representative for Mayor Flynn.

STATEMENT OF MARILYN SWARTZ-LLOYD, REPRESENTATIVE FOR THE HONORABLE RAYMOND FLYNN, MAYOR OF BOSTON AND DIRECTOR, ECONOMIC DEVELOPMENT AND INDUSTRIAL CORPORATION

Ms. SWARTZ-LLOYD. Thank you, Senator Kerry. I'm sorry that Mayor Flynn couldn't be here today. He's, as you said, going to be responsible for hearing some very different type of testimony. But I will try to offer his remarks from the citizens of Boston.

I'd like to welcome the regional field hearing on trade and competitiveness to the city on behalf of the mayor. As you know, Boston is a particularly appropriate site to continue the growing national dialog on trade and international competitiveness. We all have critical choices before us, today. The challenges that the Federal Government will face in the coming months and years, and the course that Congress and the President chart for our Nation, will largely determine what sort of a nation we will leave for our children and our grandchildren in the 21st century.

National solutions to the growing problems of the trade deficit, job dislocation, and the sustainment of economic growth, must be ones that will work not only in Boston but also throughout the South, Midwest, and all across the Nation, because this Nation can and must be able to determine its competitive advantage in the world.

At the end of World War II, as we all know, the United States was by far the dominant economy in the world. Historically, the United States had been a net importer of consumer goods. But with industrial capacity largely destroyed in Europe and Japan, the United States produced more than 60 percent of the world's output of manufactured goods in the late 1940's. The recovery of the European and Japanese economies in the 1950's and 1960's and the growth of manufacturing capacity in developing countries during the 1960's and the 1970's inevitably reduced the U.S. share of world output and also world exports.

Although industrial economic dominance is difficult in a world where other countries have caught up to the United States, I share with you a vision of economic balance in the world picture. Much of the discussion, and a great deal of the literature, strongly supports the concept that human capital, or people, as most of us say, are at the base of strategies for business expansion, export growth, and an economic balance in world trade.

So, I'll share with you today the ways that Boston concentrates on its most important advantage, its people. In Boston, the challenges have been and continue to be complex. Our economy is one that has shifted in the past century from one of the world's leading trading centers to a regional, national, and world center for service-oriented industries. And, as we know, this change in our economy has not come without cost to the working people of our area.

Boston has reemerged in recent years as a vibrant, dynamic center of business, finance, and insurance. Our traditionally strong areas of medicine and education have flourished, as well. During the past two decades, our main challenge has come in trying to maintain jobs for all of Boston's citizens as we shifted from a manufacturing-oriented economy with a relatively active port to the center of services activity that we are today. And certainly, Boston is a case study for what is happening in many cities, which is why I go through a bit of this history.

The city has suffered from a reduction in the number of manufacturing jobs from 115,000 workers in 1950 to 43,000 in 1985.

In Boston, to address our changing job profiles, we have developed two complementary strategies, which we believe others in the economic development field are following as well.

The first strategy is to concentrate on our regional and local economies. We have determined what industries serve changing consumer preferences and service sector needs and can offer long-term blue-collar employment.

The second strategy is to concentrate on education, training, and retraining to ensure that Boston's residents can participate in job growth in both the services and blue-collar industries. By knowing our advantages and understanding our economies and by targeting our resources, we are helping ourselves. But we will need a partnership with the Federal Government and State government to continue to encourage companies to expand and to help workers who seek job training and retraining.

Despite claims that we all hear about our inability to compete against foreign manufacturers who pay their employees 50 cents an hour and who receive generous operating subsidies from their governments, we do have our own blue-collar growth industries right here in Boston, which continue to produce excellent products, while maintaining quality jobs for our workers.

These industries are tied to our growing services, such as hotels; to our growing finance and real estate industries; and to our strong hospitals and educational institutions.

So, for example, fish processing showed 78 percent employment growth between 1977 and 1983. This is related to consumer preferences in Boston's new restaurants as well as in college cafeterias.

Medical and dental instruments have shown 43 percent growth. This is obviously tied to the strength of our hospitals and medical communities.

Bookbinding, which is an offshoot of Boston's largest manufacturing industry, printing and publishing, continues to grow as more students come to town and more companies produce annual reports. You will not find these companies moving to China. When the Fidelity Co., for example, puts out a prospectus, it needs to beat its competitors to market by the next morning, not produce as cheaply as possible.

Last in the high-growth category, stone, clay, and glass products such as gypsumboard and concrete, which enjoyed 35-percent growth between 1977 and 1983, serve the real estate industry, which in turn serves the growing legal, accounting, and finance firms in our office buildings.

So it is clear that we have the ability to identify and sustain growth areas within the manufacturing sector. But our ability to preserve these jobs is directly related to continuing assistance from the Federal Government for small businesses, for land assembly, for infrastructure, and for training.

Most of the programs that we use are loans. We pay them back not only in cash, but in the benefits we all gain when we put people back to work.

One place which has been extremely successful is the Economic Development and Industrial Corporation's Marine Industrial Park in south Boston, which is just next door and with 200 acres is as big as all downtown. That facility, the former Naval Annex and Boston Army Base, was developed through the creative use of tax-exempt financing, small business loans, UDAG awards and economic development administration grants, a State land bank loan, and job training programs. All of these programs will be terminated if some in Washington have their way.

Well, today our Marine Industrial Park houses over 150 different industrial firms, which provide over 3,400 manufacturing jobs for Boston workers.

By next year, when our next few development projects are completed, there will be an additional 1,000 people working at the park.

Clearly, the creative approach has accomplished a great deal in this instance. We have learned that helping many small firms expand is more beneficial in terms of both job growth and stability, than serving one large industry.

But the private sector must serve its more profitable companies, and that often means that the slow, steady growth of our small industrial firms is overlooked by private real estate and financing markets. That is why we believe it is imperative for Government programs to promote the economic welfare of its citizens by intervening in the marketplace to continue to develop industrial land, make loans to small businesses; and train for blue-collar jobs in growing industries.

We have other sites in Boston which we plan to use to maintain industrial jobs while providing a place to house new industries. These industries will flourish, in our opinion, if only we give them the space and the infrastructure support that they need. In the South Bay/Newmarket area, we have plans to make infrastructure improvements and develop underutilized land in order to create a neighborhood industrial district.

Again, we are following the trends today. We will not own that land, but we make sure its light manufacturing is clean; the streets would be lighted; we will create green space, sidewalks, and attractive signage; security will be good; improvements will be targeted;

and job training will be available. It is a new concept and an important concept. At the end, we estimate that the productive revitalization of this area will help us to preserve 2,000 industrial jobs and create 1,000 new job opportunities for Boston's industrial workers. But the city cannot be expected to assume the total burden of the necessary investment in land-use and infrastructure improvements. Just as we sought aid from the Federal Government for the Marine Industrial Park, we will continue to urge the Commonwealth to help EDIC in this effort and to appropriate the $40 million in funding necessary to begin to make a revitalized South Bay/Newmarket Area a reality. This bill is currently before the State house.

We will also urge the Commonwealth to move forward on the Boston State hospital site in Mattapan, which can provide substantial assistance in addressing both the housing needs and employment needs of inner city Boston residents.

The city of Boston has worked to make the necessary adjustments in our workforce to help make these natural economic trends ones that will benefit, not hurt, a majority of our resident workers. Let's face it, plant closings like General Electric in Lynn and Colonial in Boston dislocate workers and devastate families.

But it is not the plant closing itself that will create the long-term harm to the local economies. It's the period of time needed for dislocated workers to find new and secure employment which will determine the eventual impact.

In a perfect world, workers who lose industrial jobs should have the opportunity to find new ones in their field. But the numbers tell us that this can simply not always be the case. When Colonial Provisions closed in Boston, workers were eligible to enter any of the over 30 different skills training programs currently operating in Boston. The city's office of jobs and community services is currently working with the State's industrial service program to create more opportunities and fund such programs as EDIC's Boston Technical Center, which is across the way from where we sit today, in the Marine Industrial Park. It provides technical training and retraining in the Marine Industrial Park for dislocated workers in skills such as welding, tool fabrication, and office machine repair.

The office of jobs and community services also funds Training, Inc., where we are working to train and retrain workers in data entry and secretarial skills so that people may capture jobs in the city's booming services sector.

And Boston Urban Gardeners is one of the city's most innovative efforts. Dislocated manufacturing and apparel workers, many of them older oriental women, are trained for plant care inside of Boston's many new office buildings. The trainees develop landscaping skills to help address the shortage of qualified landscapers in Boston.

We are also training displaced Colonial workers through the ABCD food services training program, which is funded by the city's office of jobs and community services. The program provides graduates with training for opportunities in Boston's growing restaurant and hotel industry. Again, tying blue-collar work to service industries.

The city is also developing a revolutionary new adult literacy initiative, which will help teach our undereducated and foreign-born workers crucial reading and writing skills. Without this training, opportunities in the service sector are all but impossible.

In short, Boston is finding new and creative ways to make the adjustments necessary to maintain diversity while nurturing and encouraging economic growth. But we cannot continue to provide our residents with the necessary programs and initiatives without support both from the State and from the Federal Government.

Let me state it as simply and as directly as I know how. No population is in more need of additional Federal funding than dislocated workers, immigrant workers, the unemployed and the underemployed. Supporting initiatives to keep people working can only help make a healthy and stable economy in Boston, MA and throughout the Nation.

Let me also say to those who advocate cuts in Federal economic development programs, that according to a front-page story in newspapers last week, there are 22 States that are in severe fiscal distress. And as they are in distress, it is likely their cities are also fiscally strapped and their unemployment levels unusually high. Are we going to cut back on the incentive programs which may help these areas get back on their feet?

I still see considerable poverty and hardship in areas of our city—a city with a 3-percent unemployment rate. Imagine what the level of distress is in the cities that have an overdependence on steel or oil or farm product. Boston has an interdependent economy in an interdependent world. And one region's failure will eventually cost us all.

In the final analysis, using Federal revenues to subsidize our domestic industries and retrain our labor forces is a sound concept. These funds can come from a healthier economy or even some import quotas on key products until stabilization is achieved. Our funds should be used for increased research and development for new industrial companies; modernization of plants and equipment so we can continue to be productive and competitive; support of new firms and entrepreneurial enterprises because we know from research that they create the most jobs; revitalization of industrial areas and education, training and retraining of our most important resource, our people. There is little need to discuss trade or international competitiveness if we are unable to keep our workforce stable and productive. And we can accomplish that by making the necessary investments and the necessary adjustments in our workforce. Adjustments that respond to changing economic and social conditions and that will provide for a city, State, and country full of workers trained to tackle the challenges presented by a changing economy in the 21st century.

Thank you very much for your time. I realize I have spoken for a period of time, but these are issues of great importance to the city of Boston, and I appreciate your giving this opportunity to me.

Senator **Kerry**. We thank you very much. I think it's very important testimony and we're delighted to have such a clear and detailed statement about what the city is doing and what we need to do.

Let me just say that with respect to the two mayors about to testify. We would be delighted, if you have prepared comments, to simply make them part of the record. And if you want to summarize it in more personal terms, we'd be happy to listen to you in that way.

So, why don't I just begin. We'll go to the furthest western part of the State first, no particular order. But maybe by virtue of your having traveled farther.

STATEMENT OF HON. CHARLES SMITH, MAYOR OF PITTSFIELD, MA

Mr. **Smith.** Thank you, Senator. It's really nice to be here, and I'm very pleased that you would invite me to talk a little bit about what we feel—the effect that we feel up our way in the western part of the State.

Fortunately, as you know Senator, we did get some good news recently, that Pittsfield happens to be one of the leading economic growth cities in the State of Massachusetts last year, which was nice. But I think we have some bad news and sad news, rather, to look at in the future.

So, I'm really glad to be here this morning to be able to talk to you. And I'm also glad to see Secretary Eustace and Senator Carroll here this morning and my good friend, Mayor Chartrand. I haven't seen him for quite a while. I'm sorry Mayor Flynn wasn't here, by the way. I happened to be fortunate enough to meet Mayor Flynn up in Pittsfield and I have to say I was impressed with him when he is the guy that makes things happen. I enjoyed him very much. So I think Boston is very fortunate to have a mayor like Mayor Flynn.

Senator **Kerry.** Should the Senator be asking what the mayor of Boston was doing in Pittsfield?

Mr. **Smith.** Well, he accomplished what he was after and I'll only say that. OK? I guess he was looking for support somewhere.

Just a little bit more about my background, if I might. I did spend a couple of years in Japan in 1953 and 1954 and parts of Korea. And I had an opportunity to see Japan before its explosive economic growth. I went back there in 1983 as an invited guest by the Japanese Government through a world opinion leader program sponsored by the department of foreign affairs. And the purpose was to strengthen relations and better understanding about their position in the world and to discuss, specifically, the balance of trade. And, in the few weeks that I was there, I did, in fact—I was amazed to see how in 30-some years, how Japan had grown from a beaten beat-up country, both structurally and physically, their people, to a very modern, very high technological city—not city but country—that now is certainly one of the leading countries for its size, in the world today.

I visited, while I was there, I had an opportunity to visit all of their government levels and all of their educational levels from kindergarten or day care centers to their universities.

I had an opportunity to visit many of their factories, including the great Sony and I visited their trade centers, and it was really educational, I must say.

Last year, I went with the State of Massachusetts, a group who went to Sweden and England to look at job employment training programs and plant closings and how they handled them, trying to come up with some ideas and pick out the best things that they did and try to incorporate them into something here in the State of Massachusetts, which I think is coming together rather nicely. We looked at plant closings and incubator business complexes.

I also visited last year several other cities in Europe, including our sister city. And this year, I went back again to visit Korea and Japan. I spent 5 days in Korea, and have to say that I was also very pleasantly surprised to find that Korea is fast becoming a very modern, efficient country, and I think it won't be long before they'll be as competitive to us as is the country of Japan, in terms of trade.

I do have a—I think I should read this. I scratched it out on the way down, Senator. It would probably be easier for me to read. It's just something very general. It doesn't get into a lot of details. It's just some of my feelings about what's happening and what's going on today.

Senator KERRY. I didn't mean to deter you from doing that. I just wanted you to feel comfortable.

Mr. SMITH. No. It's not that. It's not very long. So I think I can get through it rather quickly. And I also have a short document from General Electric that talks about the effects of the trade deficit and all of there.

Senator Kerry. If you will submit that, we will enter it into the record.

Mr. SMITH. I will.

The effects of world and national problems such as trade deficits, Federal debt, and the strength of the dollars are difficult for the majority of the people that I represent to truly understand. Even our leaders in both Government and business oftentimes find it difficult to understand. But we do understand reduction in earnings, high unemployment, less than excellence in education, and erosion of our quality of life. It is not important how or who you are, but how you are to proceed. The Nation is no different. America is now perceived by foreigners as being something less than a world leader; a nation whose foreign policy is about as stable as a yoyo; a nation whose fumbling and stumbling leaders set world policy and then go directly opposite; a nation who cannot prevent the blight of communism in their own hemisphere; a nation whose Federal debt is growing out of control, and a trade deficit second to none. Is all of this completely true? Maybe not, but that's how we are perceived—my opinion only. Because of this perception, a nation uncontrolled, it is remarkably easy for foreign businesses to convince their governments that subsidies of all forms of money are necessary to keep things status quo. And would certainly rather see us remain status quo than to be able to compete with them.

In one country last year, I visited factory expansion that was under construction that was being heavily subsidized by the government. A country that also—I also visited a country that controlled the tobacco industry, that would not allow American tobacco products to be imported. Another country that turned—shut down steel industries into your largest incubator operations ever conceived, all subsidized in every way possible. A country that spent millions in an advertising campaign to encourage production and educate workers to the meaning of competitiveness and its effects upon international trade and their economy. These are just a few examples.

I recall back during World War II when I was a young boy and we used to see the Uncle Sam sign and it used to say "Uncle Sam Needs You. Don't Talk About What's Going on in the Country Because the Enemy Is Listening." All kinds of advertisment about—it told us to buy war bonds; you told us to buy stamps at school as children; and it asked workers to work harder and to help to win the war through their war efforts, through their hard work. And I wouldn't be at all surprised that an advertising campaign in this country today, to do such a thing, might be beneficial to this country today. I think we need to educate our workers and people have to better understand what it means to be able to compete and how important it is for the future of their jobs and families in this Nation.

The best thing we have going in our favor is that they remember what we were, what we can be, and at the time, America again becomes the strong respected world leader through a democratic process known as free elections. And that time is coming upon us once again.

I speak to all of this through experience. Last year alone I made two trips to Europe, visiting Sweden, Denmark, Ireland, England, Switzerland, and Italy. I recently returned from the Orient, visiting Korea and Japan. I shall continue to speak to you from experience as a small city mayor, who served for the last 8 years as mayor and a city councilor for 6 years before that.

How is a small city of 50,000 residents affected by foreign trade and competition? Let me start out by telling you, the citizens of Pittsfield perceive the problems of our Nation in regard to international trade and competitiveness, how they see it.

First of all, we are lulled to sleep by elected officials who speak on motherhood and apple pie issues such as prayer at school and abortions, instead of domestic problems and a strong trade policy that would allow us to compete. They lead us to believe that if we just wait, it will go away and America will once again lead the world in exports abroad—they still lead the world in exports abroad, I'm sorry, but more so. Our production workers are led to believe that 5½ hours out of an 8 hour day is all they need for a company to remain competitive. We watch our factories who have to compete using equipment that is obsolete. We observe our children being given a second-class education and our vocational student training on World War II vintage equipment, and we expect them to compete upon entering the world of business.

Pittsfield is considered to be the classic technology center of the Nation, especially in terms of G.E.'s new World Technology Center. But just as important are the 20-plus companies that build molds and plastic products of high quality. Although G.E.'s plastics R&D center is not affected by international markets, the smaller businesses are. The plastic moldmakers tell me of the tremendous impact on their business from the country of Portugal and that government subsidies and low wages make it near impossible to compete on the world market. They admit that the products produced in Portugal are inferior to ours, but a plastic injection company attempting to compete cannot turn down a $20,000 to $30,000 savings on a mold built in Portugal that they just cannot afford—they cannot afford to "Buy American" campaign.

General Electric was kind enough to give me a summary on foreign trade and its effects and how it does not affect their business. Their position, basically, is they generally support a worldwide level playing field for all competitors. They say the world is a global market and every player should have equal access. Protective isolation of a given industry does not serve the consumer. Each business industry responsible for achieving a competitive position not legislated by government.

The foreign trade impact on G.E. Pittsfield. We have three divisions in Pittsfield, as you probably know, Senator. They are ordnance systems, plastics, and power transformers.

Ordnance systems are relatively insulated from foreign competition by the nature of the customer, which is the Department of Defense.

Plastics is a global participant already with its headquarters in Pittsfield, but with operations across the United States and in many overseas countries. They just recently opened up an oriental headquarters in Tokyo, Japan.

Power systems has been impacted by the lack of a level playing field worldwide. Historical evidence that large transformer manufacturers in Europe and Japan have, indeed, practiced dumping. Japanese, Italians, French, cited in the 1970's for such violations as generally inactive in the United States since then. National Electrical Manufacturers Association, called NEMA, is doing an independent study of dumping currently. Some indications of wide margins of pricing between units sold in those countries versus those sold in the United States. Large transformer business in Pittsfield has suffered from the foreign competition using lower pricing structure.

And because of all of this, it is my belief that the 1,000 to 1,300 jobs that Pittsfield is going to be losing this year in power transformers are directly related to the competition that General Electric has to deal with.

We need to know the causes of a deteriorated standard of living and how we can correct it at the local level. We must educate and convince our production workers of the importance of giving 100 percent. We must help them to better understand the company's profitmaking ability against foreign companies whose workers are well in tune with the understanding of competitiveness.

We must strive to give our students the best education in the world by producing better teachers and giving them the best training tools and facilities, and teaching our children how to compete. All of this can be accomplished through the recommendations of the senate democratic working group and by establishing a national counsel on industrial competitiveness, that truly addresses our needs. We must give ourselves the opportunity to turn things around. We must find new technology and innovative ways to help American businesses to compete, but it must allow, in my opinion, for free trade with equal standards for all.

Thank you very much for inviting me.

Senator **Kerry**. Thank you very much. I appreciate those comments and certainly, I think, your travels have brought you firsthand contact with a lot of impressions and opinions. I think that it's been helpful for us to get the consequences of that.

Mayor Chartrand.

STATEMENT OF HON. BERNARD CHARTRAND, MAYOR OF FITCHBURG, MA

Mr. **Chartrand**. Good morning, Senator. I'd like to thank you——

Senator **Kerry**. Let me just say that we're running a little behind on this panel, and I know that some on the next panel have some pressing conflicts. So I want to be sure that we can try to get moving. If we have to come back to questions after, I think that may be a better way to do it.

Mr. **Chartrand**. I'd like to thank you asking me to Boston. And I will overriding what I have to say.

Today, we've heard testimony before people of labor background, Bob Forrant and Alice Sikora, Joe Lysiak from Worcester, all of whom presented discussions on foreign trade, world trade, and import items that a number of years ago the only people you heard talking of them or speaking of them would be in the upper chambers of commerce and industry or members of the State Department, etching along trying to work out an economics package. So today, these topics are getting to be something that all of us are thinking about. As a mayor of a city of just 40,000 people, just 50 miles west of the city of Boston, I feel the daily effects of what has happened with foreign trade.

To give you just a little idea of where I come from, my background and so on about the community I represent. I'd first like to tell you that I spent 37 years working in industry for a tool manufacturer in Fitchburg, still in operation, still there. At its height, had about 1,200 people. Currently, down to about 800 employees. I've been, since 1971, serving in elective city government. So I've had some contact with what goes on within the community.

After World War I, the city of Fitchburg was supporting 24 paper machine operations. This represented 4,900 manufacturing jobs. We were known as the "Paper City of the World." We currently have 6 paper manufacturing machines with fewer than 700 jobs and are in danger of losing 2 of those within the next 6 months to a Canadian operation. If the Canadian operation does buy the Fitchburg paper company operation, it will be moved—the manufacturing end of it will, anyway, outside of the United States.

Since 1984, the city of Fitchburg has not had a single woolen manufacturer. My father came to this country, and he worked in the woolen mills of Fitchburg all his life. He retired in 1960 after working in the woolen mills for over 40 years. And at that time, we had seven woolen manufacturers. We presently have zero.

The Senator mentioned when we started that we were in the plastic belt and at one time was the only plastic center in the United States was the twin cities of Fitchburg and Leominster, and Leominster was the main city for manufacturing plastic. I would impress on you that during World War II we had 75 small manufacturing operations in the city of Fitchburg doing plastic—75 of them. Today, we're down to fewer than 15.

Machine tooling which was a big part of our manufacturing, is now down to 5 companies from about 15, which were active and operating during the heyday of manufacturing in Fitchburg.

In 1946 when Fitchburg manufacturing market represented 59 percent of its labor force, we are today down to slightly over 30 percent of our labor force in the manufacture field. And I'm talking a workforce of approximately 170,000 people in the surrounding communities.

If you ask the tens of thousands of workers from the area who have lost their manufacturing jobs and just think about the companies that—I know my family and their background. My father, my grandfather, worked for, they're no longer with us. They're no longer in existence. A lot of people look at us and say, "Why? Why is this happening?" Well, there's been poor management. There's no question about that. There may have been some pressure from labor unions for higher wages. The U.S. corporations and companies, at least those that I'm speaking of, the goals were way too small and foreign competition has come in and eaten away at them. And there's no doubt about that. I drive by vacant or underutilized paper and textile mills almost everyday. And I remember when thousands of people were working there.

Our last textile mill, as I said, closed 3 years ago. This year, we've lost our only shoe manufacturer. This represented the closing and loss of about 300 jobs. And many of you people know the gentleman who was the head of that corporation because he works for the State government of economics and he was probably one of the most ingenious persons and thoughtful persons. He tried everything under the sun to keep that business going. And he's gone down. But what he has done is he's sold his manufacturing rights to a foreign company and he's become a distributor for that company. Consequently, we've lost 400 to 300 jobs in the manufacturing business.

We lost our last leather handbag company this past year. The reason for that was strictly foreign competition, where 85 percent of all the handbags sold in the United States today are imported.

We talk about several of our larger industries, apparel, our cutting tool, our turbine industry, in Fitchburg. All are facing severe competition from the foreign fields. We are hoping, honestly, that the knowledge, the know-how, the ability to put together a package and keep them surviving is there. As a local official, we have to work the hardest we can to help them.

I'm not talking about old, established industries, either, today. I'm talking about helping the new industries. We've been innovative; we've been aggressive; we've pursued, and we've been able to help keep manufacturing in our community only with the help of many grants, Federal and State. It's a team effort, working together.

Last October, I attended the groundbreaking for the expansion of a chemical manufacturing company which has started in our city just 2 years ago. They're in their third year in the city. They are doing very well. They are bright individuals; they have the latest technology. They are also building items that aren't threatened by competition. But during the groundbreaking ceremonies, the chief executive officer mentioned how 3 years ago the price of the chemical products that they were putting on the market were exactly the same today as they were then for one reason, foreign competition could undersell him if he cut his prices any more. His cost of manufacturing is going up. He's hired more people. His technology has improved, but he still can't market that product at any better price then when he started 3 years ago because of foreign competition. The cost to produce the products, as he looks at it, is getting to the point that it may endanger him. He still has enough foresight and enough trust and faith, I believe, in the people who are around him that he's going forward with this expansion. He went on to say that foreign competition is dumping on the market, items which are derived—he feels that drives him out of competition. But, at the time that the dumping could be proved, most of the competition will be out of the marketplace, and for that reason, he's very fearful. I'm talking of an industry that now has started 3 years ago with 40 people and now has 200 people. He's talking about expanding into a 300-man operation.

I mentioned that the shoe company in the city of Fitchburg had closed. They stopped their manufacturing and are now importing the same shoes that they were manufacturing and sold the same shoes for a lower price than they can sell them, making them here. And I'm talking brandname shoes. I'm not talking—this company had—took its American market and gave it to a foreign source. And I'm talking about people like L.L. Bean that he manufactured for; people like Horizon, that he was manufacturing for. And we all know, Ron Anson, and we all know the kind of person that he was—or that he is and the skills that this man has. And he's had a great deal of difficulty competing with the foreign manufacturer to the point that he's joined them in order to save a percentage of his company and his people.

The plastics and molding machine industry are in the same situation. We've always been a manufacturing city, and in my opinion, we always probably will be a manufacturing city. It's the base of our local economy. We've seen service jobs coming in. They've been created at a much faster rate, of course, than the manufacturing, but the wage scales don't compare. And that was brought out earlier by other speakers. We've been able to replace some of the jobs we're losing in manufacturing with jobs in the service market, but the jobs are not comparable.

I don't believe that we can afford to give up our manufacturing base for the service economy. We can't keep selling insurance to each other. We have to produce some real goods. And if we want to survive, we feel manufacturing is the area we should stay in. If manufacturing jobs can go to the foreign countries, I believe that they can be kept here in the United States. I do feel that if we do talk of protectionism, and that is what we're talking about, it should not be done without a give from both, members of industry and of labor; retooling, updating, new trade policies.

Management and labor have to work together, and we must not move forward without some commitment from both sides that what we are doing is going to be beneficial for everyone concerned.

I believe it's time that we adopted an industrial policy that would give the U.S. manufacturer a chance. This policy should be comprehensive and have both short- and long-term ranges and strategies. It may include some type of protectionism for our industries, but we have to have an aggressive program designed to open up foreign markets for the U.S. goods. Have an enforceable and timely mechanism to prevent market dumping. And with this industry policy, we must encourage the reinvestment for retooling, new tax credits, new depreciation schedules, and probably the most important element would be through education. If the United States really wants to be competitive in the world marketplace, we must have a highly educated and skilled workforce, so that once again, we can create and innovate new technology and products for the world, to move forward.

Thank you very much.

Senator KERRY. Thank you very much. We are running a little behind, and I know some of the participants on the next panel, like yourselves, have pressing engagements, so, what I'd like to do is go onto the next panel.

Is there any comment, quickly, before we do that, that one person's testimony may have sparked out of another or that anybody wants to follow up on?

And particularly with respect to the mayor's testimony from Boston. I was interested in the degree to which a service sector seems to be the demand side of the quick and easy filler for the losses elsewhere. And I'd like to follow up in a little bit greater detail as to the degree to which that is true and perhaps some measures, if any, that we could take with respect to that.

So again, thank you for your important perspective. And I am very appreciative of your taking time to comment. Particularly traveling the distance that I know the two mayors did to be here. It's very, very appreciated.

If I could ask the business panel members now to come forward, I would appreciate it.

[Recess.]

Senator KERRY. Thank you all very, very much for joining us this morning. I know your schedules are as busy as anybody else's in the city, and I'm very, very appreciative of the time you are taking.

As chairman of the Subcommittee of International Economic Policy, Trade, Oceans and Environment of the Foreign Relations Committee, I've been asked by the majority leader and the chairman of the committee, Senator Helms, to put together those areas that are within our jurisdiction for the omnibus trade bill that's going to be forthcoming from the Congress this year. And needless to say, there are already signs of both good and bad emerging in the discussions of Senator Bentsen, Senator Proxmire, and others.

So, this hearing is particularly important in helping my staff and us develop those responses that we will submit within our jurisdiction and some of the positions that we will take broadly on the whole issue of the trade bill, as it does come forward. We've heard a number of perspectives this morning. We've heard from a couple of workers and union representatives. And as you've just heard, from some of the mayors, I think this particular panel is obviously a most important panel, because in many respects you represent the direct engagement of our companies with the investment world in this effort and have, I think, both perspectives to deal with and to share with us.

So, I particularly welcome you here this morning. Let me, for the record and for those here, introduce this panel: John LaWare is the chairman and chief executive officer of the Shawmut Bank and the Shawmut Corp. He is very well-known to all in Boston and to those who have followed the course of our financial events over these past years. He's chairman of the National Association of Bank Holding Companies, a member of the Federal Advisory Council for the First District Federal Reserve System, and has served as chairman of the Boston Coordinating Committee, the Massachusetts Business Round Table, and the Massachusetts Banking Association.

Mr. Steven Levy is chairman of Bolt, Beranek & Newman in Cambridge. He has been there for, I guess, some 20 years—21 years, was named president in 1976 and chairman and CEO in 1983. BBN is a high-quality computer and physical science think tank and its present status places it among the foremost in the country, if not the world. And so, I welcome your perspective also, today.

And, incidentally, Steve also served as chairman of the American Electronics Association and, I think, has a broader view of some of the impact of foreign competition and our licensing laws and other such goodies on a company's ability to do business.

Robert Langone is the president of Aunyx Corp., a manufacturing toner for Xerox machines, laser printers, et cetera. Currently employs 40 people, has been forced to lay off some people recently and understands full-well what is happening because they have filed an unfair trade practice, and he will share with us some of his thoughts about that process as well as others.

And finally, Jack Hoy is the president of the New England Board of Higher Education, a major policy recommendation body with respect to higher education here in the State of Massachusetts. And the Board is the principal liaison to independent colleges and universities. And needless to say, he brings his very important educational perspective with respect to the entire mosaic of the international competitive picture, and I think will lend some very important thoughts to it. He has over 30 years of experience in this field and I think brings us a most important perspective.

So gentlemen, we welcome you all. And, again, thank you very, very much for taking the time to be with us.

Why don't we just begin—I see a couple of microphones already down at this end. I will begin with Mr. LaWare and just go right down the table here. Thank you.

STATEMENT OF JOHN LaWARE, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF SHAWMUT BANK, BOSTON, MA

Mr. LAWARE. Mr. Chairman, I very much appreciate the opportunity to comment to the committee today, and I also appreciate the indulgence of my schedule. I apologize to the other members of the panel if I have to disappear, but I appreciate your indulgence.

I think what we're talking about here today is a very critical issue in New England and to the Nation as a whole, if what we say here will have a positive impact on the deliberations which Congress is about to undertake. I think it's clear to all of us that corrections must be made in the current status of world trade, if we are to achieve any semblance of international economic continuity. Imbalance in world trade is nothing new. Indeed, the issue of the exchange of goods and services among nations goes back for centuries, and I am certain that no perfect solution, if history is any teacher, can ever really be achieved. That's not to say, however, that we should sit idly by when economic equilibrium is dangerously disturbed. Quite to the contrary. And that is why we are here today.

First, let me emphasize that my fundamental philosophy is one of free trade among all nations, which is easy to say and quite, obviously, much harder to achieve. The invisible hand of Adam Smith, where a perfectly competitive market brings the maximum benefit to all, is a grand concept. Perhaps one that we can never realize. And when the invisible hand begins to dig very deep into our own pockets, it's time to say "enough." That is where we are at present.

In 1986, our trade deficit was about $170 billion, which by itself does not mean very much, but when it's compared to $69 billion in 1983 or $43 billion as recently as 1982, we get a sense of how rapidly and drastically our trade situation has deteriorated.

The reasons for this are complex, but one major factor is abundantly clear: Policymakers in the structure of the international economic system must allow market forces to work properly if our goals are to be attained. And that is not presently occurring. Much attention in this country has been focused on Japan and West Germany, I believe properly so. But given the overall strength of their economies, which ironically are the direct result of U.S. investments, they have failed to shoulder their share of the burden.

Now, take into consideration that our trade deficit with the so-called Third World countries was approximately $43 billion. These countries urgently require access to foreign markets, giving them the opportunity to earn foreign exchange and thereby assist in enabling them to meet their obligations in servicing foreign debt. That is essential to maintaining stability in the international financial system.

We, in the United States, have obviously been doing our part. Yet, Japan and West Germany show little interest in sharing this burden by opening their markets to the Third World. In 1985, Japan had a trade deficit of only $10 billion with the Third World nations, while West Germany may actually have run a surplus.

Now, returning for a moment to our deficit with Japan, it would appear that the solution depends more on the Japanese pursuing constructive changes in their domestic economy than on rapid changes in our economic policies. There is clear evidence that goods produced in the United States are quite competitive in the international market but the deficit has not improved simply because major foreign economies refuse to structure themselves to accept many imports from the United States and others.

Here, at home, we have been handcuffed competitively. In my industry, for example we have virtually completed the process of deregulating interest rates. That has given consumers a considerably larger return on deposits, but has also raised the cost of loanable funds for commercial banks and thrift institutions. I firmly believe that this deregulation was right and proper and in the best interest of consumers. But competitively, it has placed us at a distinct disadvantage compared to foreign lending institutions, many of which pay interest rates 60 percent less than ours and are then able to undercut our lending in both the domestic and international markets.

Beyond that, foreign banks operating in this country are not bound by the same restrictions as domestic banks, which are excluded from certain businesses and bound by geographic regulations which should have been discarded years ago.

Well then, what is the answer? Let me first say what it is not. It is not a protectionist position which might have a short-term positive result, but would be counterproductive if international trade resolved into a war that could seriously threaten the stability of the world's economy. Blind protectionism will not make U.S. industry more productive, nor will it encourage the development of new products. It will not promote the establishment of a legal environment that permits American businessmen to compete on an equal footing. And finally, it will ultimately cost the American consumer in terms of higher prices and fewer products.

Rather, I would suggest that the following—remembering the words of a former President who once said, "Speak softly and carry a big stick." First, our trade negotiators should adopt a tougher stance with trading partners who are unwilling to meet their obligations in a world that is linked by a fragile and often volatile financial network. We must not hesitate, as we have so often in the past, to suggest internal economic reforms in other countries, and we must make it clear that we expect more than mere lipservice as a response.

Second, we should consider the adoption of an impact study system, much as we now use in making environmental decisions. That is, we should carefully evaluate, in terms of world trade, any proposed changes in economics, social or political policy. An example here might be the breakup of the Bell System and its deregulation. It immediately opened the Nation to an in-flow of telecommunication equipment which has been an important contributor to our present deficit in trade.

Third, we must provide our own financial services institutions with a means to be competitive here and abroad. Laws that bind our hands and leave others to reap the profits are patently punitive and counterproductive.

Fourth, we must modernize our own industry, portions of which are sadly outdated, in order to make us more competitive in world markets. We should explore more ways of making modernization more attractive to industry. And recent tax changes to reverse incentives for investment may return to haunt us in the long run.

Finally, let's discard protectionist attitudes and recognize that protectionism can only be destructive. Not just to those with whom we trade but to us, as well.

Thank you for your attention, Mr. Chairman, Mr. Secretary. I'll be pleased to answer any questions. I have a few more minutes left.

Senator **Kerry**. Let me just ask you very quickly. You use the term "blind protectionism." We have multifiber trade agreements. We have other kinds of agreements that do establish some quotas, et cetera. I take it those don't qualify as blind?

Mr. **LaWare**. No. I was characterizing blind protectionism as just automatically raising tariff barriers or quota barriers against all kinds of goods from all kinds of sources and trying to build some kind of a fortress around ourselves.

Senator **Kerry**. Can you accept a certain level of quotas as part of the process of a fair trading field, so to speak?

Mr. **LaWare**. Yes. But I think we have to be tougher about enforcing the latitudes that are already given by the Congress to the Executive on this point.

There's been another recent scheme that's been suggested; and that is that if we establish quotas for certain kinds of goods or products coming in the United States, that we then sell those at auction—the quotas at auction—creating a flow of funds into the Treasury and, at the same time, creating a cost burden on those who are exporting into the United States, that would tend to equalize the price structure. That's really combining the tariff and quota system in a rather unique way. And it's getting a lot of attention. The mechanisms would be complicated, but it's kind of an interesting idea.

Mr. **Eustace**. Mr. LaWare, you mentioned briefly the problem with the breakup of AT&T and the telecommunications market. Could you just briefly elaborate on what you meant by we should have had a policy?

Mr. **LaWare**. Well, if we had had a policy that might have said—here's a public policy decision that the AT&T monopoly, in my opinion, served us reasonably well, from the telecommunications point of view, for 100 years. It was no longer acceptable for antitrust reasons. But no one looked beyond the antitrust concept to the impact on the economy. One of the impacts on the economy was that as long as you broke up the monopoly, then providers of telecommunication services could access equipment from anywhere in the world instead of Western Electric. And that has—because the need for the equipment is so huge and the technology has grown so rapidly, there's an enormous amount of this equipment coming into this country. Maybe that's a very healthy thing. It may be, from a competitive point of view, very healthy. But it was a trade impact that was not foreseen.

Mr. **Eustace**. An impact not foreseen, just by virtue that nobody really addressed it and said that the date after AT&T is broken up, there will be trading in Japanese, Korean, et cetera, telephones on the market plus all their high technology.

Mr. **LaWare**. Right. And the analogy to the environment thing. We all submit environmental impact statements with regard to any kind of a development project, and so forth. And you try to look beyond just building the project and see what its impact could be. And if we do the same thing, I think, on the economic side with regard to trade policy, we may at least moderate some of our policy decisions.

Senator **Kerry**. There are a number of people who are talking about some redefinition with respect to antitrust law itself; do you think that's necessary?

Mr. **LaWare**. That's another whole subject. I think antitrust laws may have served us very well in the past, and I think they continue to be important in terms of protecting competitiveness. But I think they are sometime counterproductive. We had the best telecommunications system in the world. And if you've tried to make long-distance telephone calls recently, you know that service has deteriorated somewhat.

Senator **Kerry**. Just trying to get a telephone line in your house alone, has deteriorated. I think there's a uniformity of perception in Congress and among people—and that may be the great eye opener, historically. I know people have really been given cause to pause, which is why there's some thought, particularly in terms of European competition, to the whole redefining of certain aspects of the antitrust piece.

Let me ask you, though, you raise the issue about leveraging internal reforms in Japan and West Germany. Specifically, did the recent meetings in Paris with the G-5 do enough, from your perspective, to lay groundwork for that? If not, what do you specifically recommend?

Mr. **LaWare**. There are some fundamental underlying elements. Let's just take this business of interest rates. Savings rates in Japan are regulated at about 1.5 percent or something like that. And Japanese consumers are also cut off from a lot of consumption expenditures that would otherwise be available to them as a result of opening up to imports from abroad. So there's a hint of a huge base of lendable funds at 4 percentage points below the cheapest source that we have to lend to our industry.

Now, the Japanese can come in then—I'm taking the Japanese only as an example, because I'm not trying to—I'm not anti-Japanese—but for illustration purposes, there are very great differences in the way we operate. They can come in and lend to an American company say three-tenths of 1 percent over LIBOR, the London InterBank offering rate, and at that rate, an American bank is paying somebody to take the money from them; whereas, they still have a very nice margin between that 1½ percent that they're paying and the 5 or 6 percent that they are charging for credit. That makes them a very vital competitive factor in our own domestic market. It's worrisome, and we're not really bleating here that we can't compete, but we need to have the same terms of competition.

Mr. **Eustace**. Excuse me? I'd just like to comment—I know that you have staff here, but Mr. LaWare's example of using something similar to an environmental impact report policy is a very good example of what would not have happened with the AT&T breakup and the thousands of jobs and imports, and us not being able to compete in the telecommunications market in world trade anywhere in the world, I think is a good example and should be put into that report.

Senator **Kerry**. I think it is a good example. I mean, we have shot ourselves in the foot more times and in more ways and continue to. I think designing a mechanism for doing that is a good idea. It's worth looking at and we will. That's an encouraging concept.

The prohibition against protectionism lives large in your comments, and a lot of us share that feeling. Where you've had to cut off the line and define it is obviously harder. But of the steps that we could proactively take, rather than prohibitions against, the things that we could and should do as a matter of legislation at the Federal level, do you have any sort of priority list there? Is there something that you think is essential that the Federal Government's got to do quickly to create this level playing field, or enhance the investment atmosphere, or whichever?

Mr. LaWare. Well, I think I mentioned in testimony that what we need is to be a lot tougher in our negotiations. There's a round of GATT negotiations that are coming up, and I think we just have to be more demanding of carrying the burden on the part of the rest of the world.

Someone can't have it all their way forever. We found that out in this country, and I think some others are going to have to recognize that it can't all be exports. The market has to flow both ways in order to have really free trade. We give lipservice to free trade, but we don't have free trade.

Senator Kerry. Let me just say, Paul, unfortunately, had to leave. They have called an emergency cabinet meeting, so he has to run up there for some eminent announcement, I'm sure, which has an impact on all of us.

A last question, Mr. LaWare, and then I'd like to move on from there. Let me ask it this way: Do you find that the impact we had last year in the tax bill on the ITC and particularly the accelerated depreciation, have those had a negative impact from your perspective on decisions at this point, with investment, and is it clear to you that adjustment on those is necessary to create a more competitive flow of capital, at least?

Mr. LaWare. I think to the extent that we try to stimulate the rebuilding of our competitive position and productivity, these are countereffective. Take the investment tax credit: You take an incentive away to make an investment, and the tendency then is to milk the last nickel out of old equipment that has had it. And just as an example, the investment tax credit with regard to leasing, we saw a rush of people getting leases on their books and doing lease financing and getting lease financing out and completed before the end of 1986. And it has come down to a trickle. There just isn't any being done, because those things can't be used. Now, leasing is a very excellent way for a low-capital company to acquire highly productive state-of-the-art equipment. And yet, without the advantages of the—what we call a "tax lease"—the cost may be more than they can bear.

Senator Kerry. It would be very helpful to us, I think, if I could ask you to submit to us any and all documentation that may be available through your bank, particularly, or through other efforts you're aware of, that would set out for us the specific examples of decisions deferred, decisions not made, other options taken, et cetera, as a consequence, specifically, that we could really document with respect to that. Because I am personally interested in reraising that issue. I raised it last year in the context of our vote on the bill, and I think the sooner we revisit that in Congress, the better. So I think that the more we could build that case——

Mr. LaWare. I'd be delighted. I think you understand that we might have to leave the companies unidentified?

Senator Kerry. That's fine. I understand that completely, and I respect that.

I thank you very, very much.

Mr. LaWare. Will you excuse me?

Senator Kerry. I will. I'm going to ask everybody's indulgence. We're going to take about a 2-minute recess and we'll pick up in about 2 minutes.

[Recess.]

Senator Kerry. We'll pick right up with you. The hearing will come back to order and we'll continue from here.

Mr. Levy.

STATEMENT OF STEPHEN LEVY, CHIEF EXECUTIVE OFFICER OF BOLT, BERANEK & NEWMAN, CAMBRIDGE, MA

Mr. Levy. Thank you very much, Senator Kerry for this invitation to speak before your committee.

I think that it would be appropriate for me to first describe my interest in international trade and competitiveness and how I came to have an interest in the subject. And I have to do that in the context of my company, Bolt, Beranek & Newman, of which I have been chief executive for the last 10 years.

BBN, as you point out, Senator Kerry, had its origins as a science and engineering think tank for the first 30 years of its history, and over the last half dozen years has been diversifying from being a professional services think tank into both a professional services company and a manufacturing company whose products are rooted in high-quality research and development.

Over the last 5 years, BBN has grown at a compound rate in excess of 25 percent and we have added approximately 1,000 employees to our payroll over that period of time, the vast majority of which are in Massachusetts. Today, we have about 2,300 employees. And I think that my invitation here is in some sense a reflection of the fact that BBN as a company is reasonably representative of high-technology companies here in Massachusetts, and we would characterize ourselves as a midsize, emerging growth company. I think one of the things that is perhaps interesting in the perspective of BBN is that we are transitioning from being purely services to being a manufacturing company, complementing our services capabilities. So in that sense, we are moving in a direction opposite the direction of many U.S. companies. We believe it is possible to build high-quality manufacturing that can address opportunities in global markets, and we have been doing that over the last half dozen years or so, quite successfully.

But in the process of transitioning my company from its professional services origins to a more balanced company between professional services and manufacturing, obviously, I have to look ahead at the impediments we face as we seek to become a larger company in the global marketplace.

In talking to my colleagues in the high-technology industry, both within Massachusetts and around the country, a number of common themes, as far as obtacles that we would face in our growth seem to emerge, and I devoted a small fraction of my time to working within various industry associations such as the American Electronic Association and the Massachusetts High Technology Council and the American Business Conference with like-minded CEO's who also had concerns about problems being experienced in international trade and competitiveness, particularly as relate to the high-technology industry.

As part of that work after reviewing a lot of the literature that has been written over the last half dozen years on the subject of trade and competitiveness, I have to conclude that I like the Young Commission's definition of "competitiveness" best of all, of those that I've seen. It addresses, I think, the principal issues; that is, that competitiveness is the degree to which a nation can, under free and fair market conditions, produce goods and services that meet the test of international markets while simultaneously maintaining or expanding the real income of its citizens.

Now that concept of competitiveness, it seems to me, embodies what we are all looking for, which is a rising standard of living for the American people. It suggests that standard of living should be earned, not borrowed; and it suggests that there should be opportunities for future increases in our standard of living. I heard Speaker Wright, once in a speech, say that he doesn't want to be a part of a generation that doesn't offer the same opportunity to its children that he had when he was a child, which is an opportunity for a better standard of living than his parents had. And he bemoans the fact that we may be the first generation of Americans to do just that.

But if you look back over the last 15 years, and you use this definition as a metric for testing our progress, it appears as though we haven't done very well. The real compensation per hour in the business sector has virtually stagnated. Actually, it's gone down marginally between 1963 and 1985. As far as earning, our standard of living and not borrowing it, clearly, we're borrowing it. We're borrowing it in terms of our domestic budget deficits, and we're borrowing it in terms of foreign exchange that we have to obtain to underwrite both our budget and trade deficit. And, indeed, at the end of 1985 our net international borrowing as a percentage of GNP was at record levels approaching 4 percent of GNP.

On the subject of international trade, at risk of oversimplifying it, we have an expanding gap between our exports and our imports. Our exports have been virtually flat for the last 7 years, stuck at somewhere around $200 billion, while our imports, particularly over the last 5 years, have risen at a dramatic rate approaching $390 billion; creating a deficit of about $170 billion. This, as you are obviously very much aware, all occurred at the same time, our principal trading partners, the Japanese and the West Germans were racking up rather substantial trade surpluses.

As I got into this whole subject, I think that the thing that surprised me most was the degree of erosion in our manufacturing goods trade, the importance of manufacturing goods and the fact that the service economy was not in any way going to replace the need for a strong U.S. manufacturing industry. When one looks at the trade deficit, what we find is that manufactured goods account for over 75 percent of our exports.

Bringing it closer to home, in the high-technology industry, the thing that has shocked me and many of my colleagues is our slippage in high-technology trade. Exports of high-technology goods accounted for 30 percent of our total trade in manufactured goods in 1979, and 49 percent by 1986. Nearly half of our 1986 export trade in manufactured goods was accounted for by high-technology export trade with exports of high-technology goods rising from something approaching $40 billion in 1978 to $72½ billion in 1986. Thus it was the only area of our manufactured goods export trade that actually, over the last 7 or 8 years, has been increasing. And yet, the ratio of exports to imports of high-technology goods has been dropping steadily since 1962. In 1962, we were exporting nearly four times as many high-technology goods as we were importing. 1986 was the first year in our history in which we were importing more high-technology goods than we were exporting. That is, we were at a level of something like .97 export-to-import ratio of high-technology goods.

During that same period, between 1962 and 1985—1984, which is the latest period for which I have data—our principal high-technology competitor, the Japanese, increased their export/import ratio, which already was at 1.5-to-1 in 1962 to better than 5-to-1. In other words, they were exporting nearly five times as many high-technology goods as they were importing.

This slippage is most obvious in the leading edge of our high-technology electronics market. Semiconductor trade, where between 1980 and 1986, our share of the worldwide semiconductor market dropped from about 60 percent to approximately 40 percent of the worldwide market.

During the same period, the Japanese went from something like 28 to 48 percent; achieving the world's leading market share in semiconductors during that 7-year period. They were able to reverse leadership roles with the United States.

As I said, semiconductors are interesting because they are on the leading edge of the high technology—at least in the high-technology electronics segment of the economy.

Also during the same period, our balance of trade in electronics from 1980 and 1986, went from a worldwide surplus of $8 billion to a deficit of $13 billion in 1986. And notwithstanding popular opinion, the fact of the matter is, that our balance of electronic trade declined not just in consumer electronics but in industrial electronics as well. I was chatting with the chairman of a very large Japanese electronics company at one point in time, and I was commenting on the fact that it appeared to me that with other countries in Southeast Asia starting to enter the consumer electronics arena in a larger scale than they have in the past, that it appeared to me that this was going to force the Japanese manufacturers to higher and higher value-added, industrial electronics. And, indeed, that's exactly what his conclusion is, as well.

So I think what we can expect to see is further emphasis in this area on the part of the Japanese. Emphasis in particular, in penetrating the U.S. market for industrial electronics, computers, telecommunications, office automation products, components, and so forth. Our balance of trade with them will continue to worsen in those areas, unless we do something about it.

I think that it's worthwhile to point out that of a total $51½ billion trade deficit with Japan last year, nearly one-third of that is represented by the balance of electronics trade and another one-third is represented by automobile trade. So those two-thirds together account for the vast majority of the trade deficit with Japan.

I think I would agree with a number of the panelists who appeared before me, who cited our lagging productivity growth as one of the principal reasons for our declining competitiveness. The data is all very familiar to you and I won't bother to recite it here, but I believe that it represents one of our most serious problems. Lagging research and development spending in the United States is clearly a second area which is a serious factor affecting our international competitiveness. Our high cost of capital as John LaWare said before us, is a third very important factor. Our low savings rate, which really leads, in part, to our high cost of capital, is a fourth factor. And clearly, I think all of us in industry and even the segment of industry that's doing better than most as far as our manufacturing exports and competitiveness is concerned, the high-technology segment, would argue that our managerial performance has not been adequate to the international competitiveness challenge. And finally, the strength of the U.S. dollar would then be the sixth factor that we would enter into the list of those principal factors affecting international competitiveness.

Just commenting briefly on those factors, on productivity growth, as you know, between 1960 and 1983, Japan had nearly five times the rate of productivity growth that the United States had. Korea had nearly four times the rate of productivity growth. As far as how they've achieved that productivity growth, aside from all of the cultural advantages or differences, they have invested more in productivity growth. In manufacturing fixed investment per employee, they've run at a rate over the last 15 years of nearly three times that of the United States. They've also outspent us in research and development in terms of civilian research and development by nearly 50 percent, and that's true with Germany, as well.

In terms of the real net tangible cost of capital, they've operated at a cost-of-capital advantage of nearly 3-to-1. My friend, George Hatsopoulos, who I know you know, has done a very good study in that area and has documented this quite well.

This cost-of-capital advantage had allowed them to invest more in fixed assets and in knowledge investments.

In terms of our savings rate, which is one of the reasons that their cost of capital is so low, clearly it's a well-documented fact that their savings rate is nearly four times that of the U.S. savings rate as measured as a percentage of disposable income.

Part of the reason is their high savings rate John LaWare commented on earlier. Another part of the reason for their high savings rate is that they have policies in Japan that discourage consumption. To acquire a home in Japan, a Japanese potential homeowner has to put 40 percent down and the interest cost is not deductible against his tax return. To encourage savings, savings to the $70,000 level, is basically tax exempt in Japan. Our policies in this country, of course, are exactly opposite those.

In the area of managerial performance, I think in the United States we in industry deserve some responsibility for not focusing on the importance of investment in manufacturing plant and equipment or the importance of investments in research and development, and for underestimating the importance of an emphasis on quality engineering and quality control. We have, I think, in much of U.S. industry, I am pleased to say that it is not so much a problem in the high-technology industry, but is in much of U.S. industry, we have not had the best relations between management and labor that would allow for improved productivity.

In terms of the strength of the U.S. dollar, certainly the G-5 that took place in September 1985, did a lot to redress the overstrong dollar and this is helpful. Although, there has been more resistance on the part of the Japanese and the Germans and the French to lowering their prices in reflection of their higher costs. They have chosen to put pressure on suppliers, to reduce their operating costs, rather than give up market share. And, indeed—and again, in the case of Japan, all we've seen is an average price increase of less than 10 percent, notwithstanding an appreciation of their currency of closer to 50 percent. I think that is a tribute to their willingness to sacrifice to hold onto their market share in the United States.

In terms of what it is we have to do to reverse the trend, in terms of competitiveness, I and many of my colleagues in the high-technology industry, believe that one of the most important things we have to do is really lower our cost of capital. We have to do that, really, by providing some serious attention to reduction of the Federal budget deficits which does have an effect in keeping our cost of capital up. We have to improve our rate of savings and investment by adopting tax and credit policies that encourage saving and investment. We have to continue to create and apply technology. We have to encourage an investment in research and development in plant and equipment and in the improvement in education and in the skills of our people. We cannot expect to occupy a position in the—in the information age—comparable to that which we've occupied in the industrial age, if we do not have an educated people to take the jobs that are going to be available in the future.

In terms of the investment in research and development and in plants and equipment, we all agree that we have to invest more in manufacturing process technology than we have in the past, and not simply in invention. In a word, we have to invest in innovation, which is the translation of invention into products and services through strong manufacturing, distribution, and service capabilities.

Indeed, we do have to reduce global trade barriers and distortions. We can do that largely by enforcing existing trade laws more effectively than we have in the past. We have had some pretty strong trade laws on the books, but it was only after industry really started complaining about outrageous practices that some of these sections 201 and 301 actions, were taken by the Government.

We have to provide better protection for intellectual property than we have in the past. We cannot encourage U.S. industry to invest in the creation of new knowledge through an expanded research and development activities and, then, not afford those companies protection for their intellectual property.

One of my colleagues recently came back from a visit to Southeast Asia where he was in Thailand. There he found a copy of a very popular software program that sells in this country for $400, available on the streets of Bangkok for $5. Indeed, a Government official was using a copy on his own P.C. in the Embassy there.

We cannot, obviously, encourage U.S. companies to be investing in the creation of intellectual property, if we can't afford them reasonable protection for their intellectual property.

Finally, I think we have to make trade a national priority. We can't do that with 19 congressional committees and subcommittees and 25 Government agencies, as the Young Commission pointed out, having cognizance over various aspects of international trade. We have to do something to consolidate trade in Government and to provide a more cohesive, coherent, long-term plan as far as our trade policies and practices are concerned.

Finally, we can't let trade take a back seat to matters of State and Defense. We cannot have a strong national defense without a strong economy, and we cannot have a strong economy without a strong industrial sector, and we cannot have a strong industrial sector if every time we attempt to enforce existing trade laws, we express undue concern as to the diplomatic implications of doing that.

With that, Senator Kerry, I'd be happy to answer any questions you may have?

Senator **KERRY**. I appreciate that very comprehensive and important testimony. That was very, very helpful. Let me get through everybody and then I'll come back and ask the questions and bounce around a little bit.

So, Mr. Langone, if you could pick up?

STATEMENT OF ROBERT LANGONE, PRESIDENT OF AUNYX CORP., HINGHAM, MA

Mr. **LANGONE**. Thank you, Senator Kerry and the committee for inviting me here today. Although I very much feel like a duck out of water, I'm not used to this type of forum. I'm basically a salesman.

I would like to relate a recent review on my visit to Washington, regarding my litigation against Canon. Jim Brenner, from your office, had asked Aunyx for a copy of our proceedings against Canon. And since I was in Washington, I personally decided to drop them off.

We reviewed our situation, and Jim was very aware of what was going on, and when I got through reviewing our situation with him he told me that it was his opinion that——

Senator **KERRY**. Let me just suggest for the record, because colleagues who read this will not be—and our staff that will read it will not be as up to date—why don't you just describe the problem very quickly?

Mr. **LANGONE**. We're a small manufacturing plant in Hingham. And we manufacture what we consider high-technology products for the copier industry and the computer industry with laser printers. It's the toner that goes into these copiers. And we were competing against Xerox, IBM, Kodak, for several years now, and we're very successful.

We were of the opinion, around 1980, that the Japanese were going to make a significant impact on the—that market, on the copier end of the market. And I had quite a bit of experience with Xerox. I worked for Xerox. And, at that time, I went to talk to Xerox about it and gave them my opinion as to what I thought would happen within the industry. And they basically didn't agree, so I came back to Boston.

But we did our work on—we were still convinced that the Japanese would make a serious impact on the copier market. So we did our work on all the Japanese toners and, in fact, came up with products that were equal to or better than their products.

This posed a tremendous threat to one company, in particular, that was Canon. And they were very upset with the fact that—because we were Canon dealers—and they were very upset with the fact that we came up with a competitive product to them, because that is where all the money is, in the supplies. The copiers, they will pretty much give them away, but the money is in the supplies.

So, they told us in no uncertain terms that there was no way we were going to enter the market. That, from my competitiveness, that really disturbed me. Like I said, I've been a salesman and in service all my life. You know, you get used to competition. And when somebody says that to you, what you want to do is just fight them.

So we tried to enter the market and everything else. We first tried to sell to Canon and they wanted no part of our product. They didn't even want a price on it, but did test it out. And it came back to us through the grapevine that, in fact, it was superior to their product.

So, then, we had developed several other products and we went to the other companies, Toshiba, Minolta, just about all the Japanese companies, and said, "We have a product for you here." We knew the regimen, that all raw material was going to Japan and then being processed and sent back here. So we thought we could be very competitive. And, in fact, I know we can. And never even asked the price, just they don't want it at all.

And, I think they were a little disturbed with our tenacity, as far as wanting to get in the market and everything else. So we proceeded along and, in fact, Canon made it extremely difficult for us.

Not only could we not sell to them, but they have a distribution network throughout the country of about 500 Canon dealers. So there's a trade show through the country. It's called NONGA. And that is the area where you display your wares. So we tried to pick up a lot of dealers, because we couldn't sell to Canon. And they told the dealers that if they bought from us, they wouldn't get the next generation of copiers, they wouldn't get the supplies, they wouldn't get their existing supplies, they wouldn't get the parts to the machines. And, in fact, what I think we all have to realize, at least from my standpoint, my perspective, the Japanese play real tough hardball. And, I don't have any problem with that, as long as we play on a level playing field. And we're not playing on one. Not from my point of—my perspective.

So, the only—the next thing we tried to do was to sell retail and what Canon did in the greater Boston area and the other areas we were trying to sell retail, where we were trying to pick up accounts such as Polaroid or General Dynamics or Factory Mutual, any of these accounts, we'd go in and try to sell them our machines because we were Canon dealers. But Canon knew that we would then sell the supplies. So, they went in and told the customers that we couldn't service them, that Aunyx could not service them. And yet, we have probably the best service record in the greater Boston area, and that's absolutely been proven.

So, they physically stopped us on that level. Then as a dealer for Canon, we could also buy their products, the genuine Canon supplies directly from Canon. So we said, "Well, we can't sell our supplies, so we'll sell the Canon supplies."

So we started a telemarketing program throughout the country selling just genuine Canon supplies. And what happened there was, we started to be very successful with that, Canon sends us a letter and says "We no longer will sell you the amount of Canon toner—we will only sell you the amount of Canon toner commensurate with the machines you installed."

So from every avenue, there was just stonewall, right to the point that finally we got involved with litigation. And, I went to Washington. I had been referred to somebody in Washington, a law firm, and I had never heard of the ITC before in my life. And he explained to me how the ITC worked and everything else. And I was very, very encouraged with that. And I've recently been extremely encouraged with your interest and your office's interest in our proceedings. That, in a nutshell, is basically what happened.

Senator KERRY. Jack, you've been patient and I appreciate it.

STATEMENT OF JACK HOY, PRESIDENT OF NEW ENGLAND BOARD OF HIGHER EDUCATION, BOSTON, MA

Mr. HOY. Senator Kerry, first I wish to say how gratified we are that you are chairing this subcommittee. It seems to me that the committee has a great deal of potential that has not been utilized in the past. As you know, with 5.3 percent of the population of the United States, New England is blessed with having 12 percent of the Members of the U.S. Senate. In terms of Senate Foreign Relations Committee, 15 percent are from New England. I think in a sense, among you and Senators Pell and Dodd, the international issues which relate to New England and the Commonwealth can expect a very decent hearing in the context of national policy.

There were many issues that were presented today that echoed through the remarks I intended to make. Let me pick up on one theme which came through again and again that relates to the painful side of the global economic transition that we are experiencing. From the point of view of organized labor, the mayors who were with us and Secretary Eustace all have a genuine sense that the stress that we are experiencing is profound and growing more difficult, not less difficult. And it's worth recalling that in 1947, New England began the slow and painful process—and the Commonwealth in particular began the slow process—of another kind of transition, which was essentially the elimination of our dependence upon shoes and leather, and textile machinery. Gradually, we lost woolens and woolen manufacturing, and we are better off today. In fact, that process of industrial change continues today at a quickened pace. One element in all of this—and I was delighted that Steve Levy was with us today to express it so eloquently—is the R&D factor. If you get right down to how this State and how the New England region has been able to rebuild itself and remake itself over a very tough period of 40 years, four long decades, it is primarily because of the remarkable concentration of skilled people. Technicians, engineers, managers, scientists, and professionals generally provided this region with the greatest concentration of academically trained people combined with research and development capacity in this Nation, indeed, anywhere on the face of the Earth.

I think that we in New England tend to forget that we with 5.3 percent of the population, New England receives 12 percent of the total R&D establishment of the United States.

The nonprofit research sector of the Department of Defense budget, which includes colleges, universities, and research institutes, provides to New England 40.8 percent of the total DOD research and development budget of the United States.

Unfortunately, almost 70 percent of the total research budget of the United States is now allocated through the Department of Defense, and only 30 percent for all other research enterprises are coming to us from the other agencies of the Federal Government, such as the National Institutes of Health, the National Science Foundation, and the Department of Energy, et cetera.

It is interesting to note that a corporation like Bolt, Beranek & Newman, a leading organization among the top 75 companies in New England, as reported by New England Business, has devoted 53 percent of its total sales to R&D in 1985. That is a remarkably high investment in the future potential of a single corporation.

New England devoted $15 billion in 1985, to research in both the academic and for-profit research sectors. This total is equivalent to the entire export trade of this region for manufactured goods, $15 billion.

In the future, I do not think there will be any question that the Federal role must assure that this Nation and this region in particular have the ability to continue the kind of R&D effort that we are noted for and which in essence will create, if we have the kind of system to move forward with basic and applied academic research and efficiently transfer it to productive economic activity. I believe this is the greatest insurance policy we can possibly have in terms of the emerging global economy.

One area that I've been particularly concerned about over the past 6 months is the fact that no agency, public or private, State, local, or Federal collects and publishes data on the export and import of goods manufactured in the United States except the provision of an entirely dated data base of the U.S. Department of Commerce, which is released 3 years after the fact and where the method of collection is clearly obsolete. We have been to each New England State and to the highest levels of State government requesting a response to the question, "Can you describe to us your trading partners; the trading partners of the State of Vermont, vis-a-vis the Provinces of Canada or states of West Germany?" No State can describe its trade with other nations. Let alone, the nature of that trade—what kinds of goods—let alone provide a historical perspective, let alone a current picture of where State exports are going and what we must do to improve future exports.

One comment I would make on the completion of the hearing today is essentially that none of us has enough information and the Government of the United States is not providing minimally adequate information on export trade. The fact of the matter is, the Department of Commerce is strapped, the National Science Foundation is strapped, and the Department of Education is strapped in terms of providing feedback as to where we stand and where we are going industrially and intellectually. This information mismatch leads me to one major recommendation today.

Since I believe very strongly in the reality of the regional economies of this Nation—there is a difference between the New England economy and that of the Northeast, just as there is a difference between New England and the Midwest or the Southeast and the Southwest—I would strongly urge that there be a regional data bank on the New England economy dealing with international economic information and related issues vital to the future development of the New England region and other regions of the United States.

Further, such an enterprise must be a partnership effort that will embrace academic resources provided by colleges, universities, our corporate communities, and State government with Federal support.

I suspect that given the concentration of talent in this particular region of the Nation, corporate, governmental, and higher education resources could, with Federal matching support, design a model solution to the acute problem of information mismatch.

Finally, one other element I would add is that it does appear to me that we have already forgotten a good deal of the history of New England. It was only 5 years ago that this Nation experienced the highest rate of unemployment, the shriveling up of capital resources, interest rates that scared all of us half to death, the worst recession since the Great Depression. We remain very, very vulnerable. Only recently did we recognize that there is a kind of urgency to this particular question. I know it leads you to have this hearing and we welcome it.

Thank you.

Senator KERRY. Well, I appreciate your comments. I appreciate all of your comments. I think they've been particularly on point and provocative and interesting.

Let me just comment very quickly that—I don't know if you've seen it, Jack—last year I was part of the task force on economics and five of us, Jay Rockefeller, Max Baucus, Jeff Bingaman from New Mexico, myself, and Pat Moynihan spent the year doing a great number of these kind of sessions but quietly and privately. In fact, George Hatsopoulos was part of it. We worked on the cost capital and other pieces of it.

We put out a report last year which documented the fact that I think there have been something like 30 blue ribbon panels and commissions on the issue of "competitiveness," over the last 10 years, almost all of which have been ignored. And that one of the central problems that we highlighted was this lack of flow of information. That, for instance, a specific example: Japan translates some 700 technical documents in English to Japanese a year, and disseminates throughout Japan not only what they are doing but what we're doing. And their people know, by virtue of the translation process and dissemination process, what's happening technically in the United States. We, in the United States do not translate one document from Japanese to English and disseminate them. So we passed a bill last year which Jay Rockefeller helped draft and the Commerce Department is supposed to do that. But you couldn't be more on target, in terms of the lack of available understanding of information, who we're trading with, how much, what may happen. We're not looking at trends. There's no down the road apiece.

Second, you know, I was looking for instance at the number of patents filed. We used to dominate patents filed in our own country by American corporations, and that's a sign of who will own future technologies and who will own those marketplaces, so to speak.

Last year, 45 percent of the patents filed in the United States were filed by foreign corporations. And the Japanese increased some 15 percent, the numbers that they filed here in this country. We only increased by 3 percent. So every signal you look at is deeply disturbing and none more so, I think, than the question of R&D and how we spend it.

I notice that one of the things we learned last year is that of the R&D dollars spent in the United States, it used to be a 50-50 split only 6 short years ago between military and civilian. Now, it's 72 percent military, 28 percent civilian. You can also look at the civilian sector of spent R&D dollars in other countries—Germany puts 14 percent of their R&D civilian side into specific industry-related technological advancements. France, I think it's around 13 percent. Japan, around 8 percent. In the United States, we're spending less than 1 percent on specific industry-related efforts.

So, one of the things I am now looking at is putting together a proposal or a series, or one or two or whatever, civilian Bell Laboratory-type efforts to harness advanced industrial technology to disseminate it more cogently throughout the country.

So, your question of information gathering and that process was, I think, very well taken, and we're going to follow up on it and see if there's a way to frame that.

But this whole issue, it's dry and it's hard for people to focus on it, but I think it's the most critical thing that we can face in this country. And when you talk about frugality, you know, with OPEC coming back and a finite energy resource and an increasing demand on oil and the other problems we face, we've really got our work cut out for us.

Just to come back very quickly to a couple of questions, and then we'll wrap up this hearing.

Steve, you mentioned, all things, incidentally, that we have talked about, productivity, high cost of capital, low savings rate, managerial performance, higher dollar, et cetera. Do you think that we can legislate anything with respect to, first of all, productivity?

Mr. **Levy**. No, I'm not sure that we can, Senator. But we exist in a macroeconomic environment and therefore—you asked earlier of John LaWare, did the tax bills we passed last year have a favorable or an adverse affect on, I guess, explicitly on productivity. And I would have to say that in my opinion it had to have a negative effect, because what we've done is taken $128 billion out of the business sector and put it into personal consumption, which is where all tax reductions really went—in the private sector when there have been tax reductions, they tend not to be saved but to be spent on consumption. That clearly has to be moving in the wrong direction, no matter what you think of the investment tax credit it was half of that $128 billion. So, no. I don't think we can legislate productivity, but we do things that inhibit productivity. When we did that, we in effect——

Senator **Kerry**. Well, that's what I really meant. Can we take specific series of steps that will have an impact on that?

Mr. **Levy**. It isn't the—at this time, it isn't a very attractive thing to be talking about, because it's been talked about so much. But the budget deficit is a very, very serious problem. And addressing the budget deficit, which has to be subsidized, in effect, by drawing out savings that would otherwise go into investment, I think, is something that should be addressed.

In terms of legislation, I couldn't agree more with Jack on the subject of data collection. Again, it's not a glamorous area, but it is a very important area. I spent a day down at the Department of Commerce and the Bureau of Labor Statistics, because that's where a lot of the source data that we all are working with really comes from. And I found that in the semiconductor area we have just one person in the Department of Commerce responsible for collecting the statistics on semiconductors while we have 45 people collecting the statistics on textiles. Well, you know, I don't think that it takes very much genius to see that semiconductors deserves some greater weight, and perhaps even at the expense of a number of people that are collecting statistics on textiles. And I think the responsiveness of our systems to the dynamics of the global economy does not allow that. To be sure, the political pressures that apply in the Department of Commerce when you talk about cutting back people, monitoring textiles and increasing the people who monitor semiconductors, that's a factor too.

The SIC Codes, which was another thing that I looked into, to see if we could have any finer breakdown on our balance of electronics trade than just one SIC Code for computers, because we have supercomputers and mainframes and minis and superminis and micros and so forth. And yet, we only have one SIC Code for computers. It's not particularly helpful. I wasn't very encouraged by the responses. It appears that it won't be until the middle of the next decade before we're able to get a finer breakdown on the SIC Codes than we currently have.

The way it stands today, we have one SIC Code for computers. We also have one for feathers and one for caskets. Again, I think the prioritization within our existing agencies, of existing resources, at a small investment in the collection and the dissemination of more timely data, would help a lot. It would be—I could analogize it to trying to run a company where we only got our financial statements every 5 years. It wouldn't be terribly helpful, to say the least.

Senator KERRY. Are you advocating a consumption restraint; that is, tax?

Mr. LEVY. I personally, would favor a value-added tax, "yes." I think it is a way of reducing consumption and to the extent that the value-added tax was applied toward deficit reduction, I personally would be in favor of it. It also is a GATT allowable tax and, therefore, it wouldn't create problems, I think, with our trading partners.

Senator KERRY. This is an aside, but is it conceivable that the AEA or the High Technology Council would be taking a position on that?

Mr. LEVY. I'm not certain what the AEA's present posture is on that. I think it is moving in the direction of favoring a value-added tax. But I don't think that it's come to any conclusion. Of course, the High Technology Council has tended to concentrate its activities within the State.

Senator KERRY. Understood. But I think that in terms of the steps available for deficit reduction and the whole quagmire which Washington has now caught with respect to that issue, if you want to get rid of the deficit and deal with the high cost of capital, it may be that groups like that advancing a solution might be very salutory.

Mr. LEVY. Well, certainly, the American Business Conference, of which I'm also a member, is going to be, I believe, advocating a value-added tax although that hasn't been finalized yet. Certainly, many of us have recommended that advocacy.

Senator KERRY. With respect to the question of managerial performance, I've heard a lot lately about American way of doing business and what we're teaching in the Harvard Business School, et cetera, and problems of our own making as a result of loaded management, bad decisions, not a lot of foresight, waste of transfer of wealth, the merger mania and all of these things. Is that an area that you would recommend to the Congress or is that sort of a keep your dirty fingers off it, you'll only mess it up area?

Mr. LEVY. I don't—those are very broad areas and I can't, you know, respond in a couple of sentences about that. But, in general, I don't think it would be terribly valuable to get into that area. I think that there is a rising recognition within industry as to the importance of quality, the importance of investment in R&D, the importance of training. But there are other things——

Senator KERRY. Would you concede that there is a major field of advancement that's open in terms of management process in this country; that management has really been part of the problem?

Mr. LEVY. I think it has been part of the problem. I think a lot of the rhetoric lately is overdone in that regard, personally. But there is no question that we did not, as a nation, if we were to take all of our managers collectively, we could not, as a nation, pay sufficient attention to investment, in plant and equipment investment in R&D and investment in quality. But there is a rising—very rapidly rising level of emphasis of—in the industrial sector in these areas. But then you say "What do we have to do now?" We have to invest more. So if we have to invest more, we need to obtain the capital that allows the investment in plant equipment and investment in research and development.

And another investment that doesn't get enough attention at all is if we are going to export these well-designed products, these highly reliable, high-quality products for the global markets, we have to have a distribution system. So we have to be investing in that distribution system and that is a very expensive investment, indeed.

Some mechanism to encourage the creation of such distribution systems, I think, would go a long way toward improving the competitive posture of the United States. Because again, all of us talk about not wanting protectionism, but none of us really want to curtail imports. We simply want to stimulate export activity and improve the design of advanced products that are competitive in global markets. And we have to have the distribution systems to sell them in those markets and service them once they are there.

Mr. HOY. I might add one point to Steve Levy's comment. The New England Board of Higher Education has been in the process of analyzing what the colleges and universities of this region are doing in terms of curriculums that will be helpful in the realm of international business. What we've discovered is a heavy historic emphasis on geopolitical, not economic, issues.

Certainly, in terms of support heavily funded by the Federal Government, there has been an overemphasis on military/political alignment issues. The inclusion of perspectives on the international economic position of the United States in a world economy is a very important element that has been neglected by federally supported research. The level of federally supported research on the economic competitiveness question is very modest compared to the level of research in other fields. Research in the area of the global economy needs support—considerable new support.

Senator KERRY. Let me ask you, Mr. Langone, quickly because we've got to wrap up. Have you found that the process of filing your complaint is going to allow for adequate remedy on time, fast enough, or is it frustrating in the fact that it just takes so long?

Mr. LANGONE. No. I've been very encouraged by it. One of the questions that you asked before was regarding the FTC and the ITC. I think all the action now, really is in the ITC. I think from that standpoint, I think they physically need more help to investigate these charges—not just ours but everything else that's going on, because the emphasis has changed. There's not a lot of real naughty things going on in the United States, I don't think. It's mostly from an international trade situation. But I have been very encouraged, quite honestly.

Senator KERRY. Did you find that the information was available to you easily enough and you were able to know what to do and how to proceed?

Mr. LANGONE. They were excellent. I thought it was excellent.

Senator KERRY. Steve, if I could just ask you very quickly: The National Academy of Science said, I think, that we are losing $9 billion a year as a result of current export control regime. Does that surprise you that that's an accurate figure?

Mr. Levy. Not at all. I think that—I had a couple of examples of areas in which our competitive posture in my company has been adversely affected by——

Senator Kerry. Would you submit them in writing for the record? Just send them down to us in care of Jim Brenner.

Mr. Levy. Not at all.

Basically, the effect is to slow us down in terms of our ability to export. And in a globally competitive market, time is obviously a critical aspect in making the sale. So, if we could cut down the time it takes to process an export license from 90 to 30 days that's wonderful progress. But if it takes our competitors still only 5 days, it's a competitive disadvantage.

Senator Kerry. Or if you're still restricted from getting the license for products you ought to be getting it for, it doesn't help you very much whether it's 1 day or not. You should be able to compete in that market?

Mr. Levy. That's right.

Senator Kerry. Well on this note, let me bring this hearing to a close and simply say that I think we've opened up for inquiry a number of areas. There are a number of things that I'm working on right now from the reorganization of a couple of the departments, to some multilateral bank issues, to the export licensing fees, to the China trade bill, and others. But this has been helpful. There are some specific suggestions and I think it will help us over the next weeks to focus. And, needless to say, we may want to get back to you with respect to specifics and thoughts about where to proceed.

I would like to thank, again, all of you and all who took part in the hearing. It's very, very helpful and I appreciate your participation.

This hearing is adjourned.

[Whereupon the hearing adjourned at 1:10 p.m.]

APPENDIX

PREPARED STATEMENT OF ROBERT FORRANT

I would like to extend my thanks to Senator Kerry for holding these hearings and for asking me to appear today. The issue of plant closings, imports, and their affects on workers and jobs is one I am very familiar with. For eight years I worked as a boring and turning machine operator at the American Bosch plant in Springfield. From 1984 on I have served as Business Agent for the union. Approximately one year ago, United Technologies Corporation, the plant owner, announced they were going to close the factory throwing approximately one thousand people out the door. Awareness of the impact of plant closings came hard for all of us.

Hampden County has lost over 5000 good machinist jobs in the last few years. The Bosch closing was the culmination of a painful trend in that part of the state. This recent history is in stark contrast to the generally glowing economic news coming out of the State House these days.

The good news has caused many people to question whether the loss of 1000's of manufacturing jobs really matters. Since there is obviously gainful employment to be found why worry about some machinists losing their jobs in Springfield, or Pittsfield or Lynn? This line of reasoning generally runs that these factories have gone through their life cycle so that's the way it goes. The problem with such an argument is that it makes plant closings and the significant issues that accompany them seem trivial and the natural way things must be.

The reality is far different. The Bosch did not have to close. Hundreds of decent, hard working individuals did not have to be thrown out the door like some excess baggage. A machinist who spent fifteen years working in the factory had his or her entire identity wrapped up with their job. If you ask a machinist with some seniority in a plant to describe who they are they will almost always tell you where they work and what type of machine they run within the first few minutes of conversation. Their social world revolves around the work place and activities with their friends either before or after the job is done for the day.

Being forced off the job hurts. It forces you to rethink all of your basic assumptions about yourself. It causes you to alter major life decisions like buying a house, getting married, having another child, sending your children to college. It is painful - and you never forget it.

What about the Bosch plant? It was purchased by United Technologies in late 1979. In retrospect it was probably doomed to failure from the moment the ink was dry on the purchase and sale agreement. United Technologies is a huge and arrogant corporation driven entirely by the bottom line. The devastation they caused by closing the plant never entered into their minds at all. In fact right after they bought the facility they shifted a major portion of Springfield work to Italy. Diesel pumps for farm machinery were produced in Springfield for years. Whole lines of machines were pulled out of the shop and sent overseas. Almost 450 people lost their jobs as a result. This was the beginning of the end for Springfield.

Right after this layoff Local 206 alerted the community and publicized its fears that the gates would soon be closed for good. The corporation told public officials over and over that the union was wrong, that UT was committed to Springfield. The company negotiated a new piece work system with the union and promised a $20 million investment in modern machinery would go with it. This was their proof that they were going to stay.

Right up to the end they promised and promised. Then on February 4, 1986 they issued a three sentence statement that the plant would be closed as soon as possible. The bulk of the work was quickly shipped to facilities in Italy and Holland. Some work went to a new plant they had recently opened in South Carolina. Most of the overseas work was Department of Defense related.

The reason the company gave for closing was an over capacity problem. The situation could be rectified most easily by closing Springfield. The hard reality was that plant closing laws in Italy and Holland would have made it far more expensive for them to close the plants in either of those countries.

While using the overcapacity problem as the reason for closing,the company also announced that it had a backlog of over $11 billion in unfilled orders as a corporation in their 1986 annual report. By our calculation over 50% of this backlog was Defense Department related.

This is an important fact to keep in mind. Lots of machining work that is going out of the.country is not ending up in low wage parts of the world at all. Our work was put in Italy and Holland. Why? Wages were not any cheaper when transportation and other charges were factored in to get the work to customers in the United States. UT had embarked on a corporate strategy of penetrating European markets with a number of its industrial and commercial products. The best way to establish this beach head was to set up shop there. It also helped to be there when bidding on NATO defense work.

In addition machining work is going to western Europe because the technologies and engineering techniques are far more advanced. The work can be done better and faster. Our large factories have been run into the ground. Now it is cheaper to invest where modern machining technologies are available rather than make the needed capital equipment improvements here.

Policies making domestic investments in modern machining technoligies mandatory for major government contractors should be considered. If attention is only focused on the import side a fundamental point will be missed. Once the manufacturing base of the country is totally eroded import restrictions will result in our inability to furnish our own needs! We will be blocking our own access to the needed goods that we have begun to produce entirely overseas.

What is the human cost of this disinvestment policy many U.S. corporations have engaged in over the past ten years? A model developed for the Machine Action Project by Data Resources Incorporated of Boston indicates that the loss in wages alone resulting from the Bosch closing will be $45 million over the next five years!

Today, a little over one year after the closing, 200 of the 700 machinists who lost their jobs are still unemployed. Approximately 350 people are working again, but with pay that is on average 20% below their former wage. Another 150 workers are in a training program or have retired.

Many individuals are still lost and confused by what happened to them. Older workers forced to retire before they were prepared for it emotionally, physically and financially have been hardest hit of all. I have seen many of these people age almost over night to the point where they can only get around with tremendous physical effort. After being productive human beings for thirty-five years their whole sense of pride and dignity has been robbed from them.

I have also talked to forty year old workers with mortgages and mouths to feed who cannot make ends meet taking home $80-$100 less a week. Many of these people have had a difficult time finding work in machining because they have limited skills. Their work history at the Bosch consisted of running the same machine and the same production pieces over and over again. The small shops that are hiring need flexible, all-around machinists.

Trade legislation alone will not resolve some of the problems I have mentioned. The critical issue is the need for policy initiatives that will help rebuild a manufacturing infrastructure. If corporations are allowed to continue to shift profits out of this country the Bosch situation will be repeated again and again. Import limits will not prevent this from happening. We need to look closely at the machining trades in Europe to see what they are doing to rebuild industry. Without this all-around approach very little will be accomplished.

UT Disinvestment Points Toward American Bosch Closing

On November 7, 1984, exactly one day after the Presidential election, the management at American Bosch announced the immediate layoff of 80 employees at its Springfield facility. At the same time, American Bosch announced that production of diesel pumps for the truck market was being shifted to its South Carolina facility.

Those layoffs have continued and intensified. Between retirements and layoffs, American Bosch's Springfield employment is down by nearly 200. The company estimates a further reduction in force of 100-150 over the next six months to a year.

If all that were involved here was the loss of 300 or more well-paid jobs, there would be enough cause for very serious concern. But these job losses are only the beginning. A clear pattern of mismanagement and disinvestment on the part of United Technologies, the parent corporation of American Bosch, point toward a phase-out of all operations at American Bosch's Springfield plant. Repeated management assurances that American Bosch and United Technologies have a strong commitment to continuing operations in Springfield are contradicted by management actions.

ITEM: In 1981, American Bosch demanded from IUE Local 206 a new piece-rate system. Without this piece-rate system, the company claimed it could not remain competitive. At the same time, American Bosch-United Technologies was breaking ground for a new plant in South Carolina. Without the agreement on the piece-rate system, management hinted, work would be shifted there. If the union accepted this new piece-rate system, the company promised that an investment of $20-30 million would be made to upgrade and modernize the Springfield facility. The union accepted the company's ultimatum on the new piece-rate system. The investment was never made. Ironically, the piece-rate system has proved to be very costly to the company both because the system was poorly designed and because management has implemented it poorly.

ITEM: While announcing the November layoffs, the company blamed the soft market for agricultural equipment for the reduction in force in Springfield. In fact, the Springfield plant stopped producing farm equipment years ago.

ITEM: At the same time that the November layoffs were announced, American Bosch shifted production of the injector nozzle, Model 300 pumps, the eight-cylinder diesel pumps and electric governor lines to South Carolina and to plants in Europe. The production remaining in Springfield is heavily concentrated in military contracts, a very unstable source of long-term employment, as any Quincy ship builder can attest.

ITEM: In April, United Technologies announced that 500-700 machines would be moved from the Springfield plant. The union has inquired repeatedly about what plans the corporation has to ship machinery in. No plans have been announced for new machinery for the Springfield plant because no plans exist. Equipment, product lines and jobs are being shipped out, but no plans exist for bringing in jobs.

ITEM: United Technologies claims that it has a diversification plan for the American Bosch Springfield plant. That plan has never been implemented. Where is it?

ITEM: Subcontracting of work which could be adequately performed here continues throughout these cutbacks. Work is being subcontracted to local shops, to Michigan and to South Carolina.

All of this occurs while the markets for American Bosch's traditional product lines are booming. Truck sales are setting records. Other firms are becoming more cost-competitive and investing heavily. Meanwhile we see United Technologies milking this plant for whatever remains here to be taken in profit and moving all its jobs, all its commercial product lines and much of its machinery elsewhere.

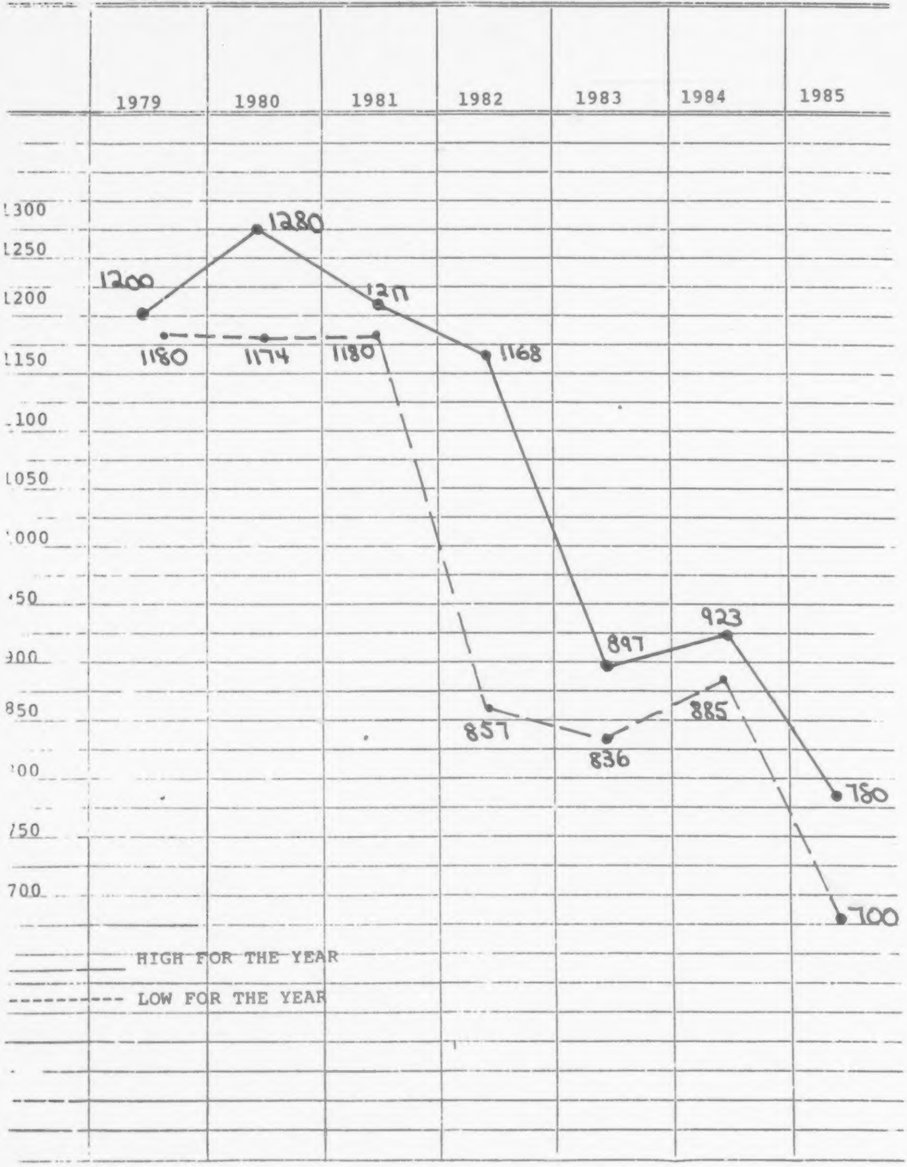
ITEM: Mismanagement is resulting in added costs every week. While layoffs go on, overtime is running rampant. That overtime is "necessary" to meet production schedules, but the overtime adds unnecessarily to the costs of production at the Springfield plant. The high costs of producing here contribute to the case for closing down the Springfield plant as United Technologies checks its corporate ledgers. Management turnover since 1981 has been higher than 100%. Most top management positions have turned over again in the last year. Ten key management people have left since November.

The union has cooperated fully in trying to stem absenteeism, in trying to increase production. We've shown results. Such cooperation has been repaid with layoffs and the promise of more layoffs. We see clearly the impending closing of this plant, and the company won't even deal honestly with us or with elected officials to whom we've expressed our concern.

We believe the time has come to look for ways to fight this closing before it happens. We look to city, state and federal officials for help in this struggle. .

IUE Local 206

TOTAL I.U.E. LOCAL 206 EMPLOYMENT 1979-1985



Five-Year Summary

United Technologies Corpor

Dollars in Thousands (except per share amounts)	1984	1983	1982	1981	
At Year End:					
Net working capital	$ 2,067,034	$ 1,645,600	$ 1,554,104	$ 1,573,982	$ 1,35
Current asset ratio	1.6 to 1	1.5 to 1	1.5 to 1	1.5 to 1	1.4
Total assets	$ 9,904,536	$ 8,720,059	$ 7,993,376	$ 7,555,103	$ 7,336
Short-term borrowings	$ 337,782	$ 398,149	$ 449,391	$ 392,762	$ 663
Long-term debt	$ 1,331,945	$ 929,133	$ 982,333	$ 906,776	$ 892
Debt to total capitalization	29%	26%	29%	29%	
Net worth	$ 4,169,450	$ 3,783,755	$ 3,481,790	$ 3,212,511	$ 2,734
Common shareowners' equity	$ 3,645,399	$ 3,253,897	$ 2,775,784	$ 2,445,910	$ 1,864
Equity per common share	$ 30.04	$ 27.21	$ 25.56	$ 23.57	$ 2
Unfilled orders	$11,925,000	$12,100,000	$11,700,000	$11,650,000	$11,400
Number of employees:					
United States	130,000	122,300	120,200	124,700	136
International					
Europe	36,200	34,900	32,500	30,000	28.
Other	39,300	36,500	31,200	35,000	36.
Total	205,500	193,700	183,900	189,700	200.
Number of shareowners	65,200	68,500	77,400	81,500	86.

Notes: Income taxes in 1984 have been reduced by $46 million ($.38 primary earnings per share and $.33 fully diluted earnings per share) esulting from elimination of previously provided deferred taxes related to DISC earnings. See Note 11 of Notes to Financial Statements.

Effective January 1, 1982, the Corporation changed its method of accounting for investment tax credits from the deferral method to the low-through method. Net income for 1982 includes $66.6 million ($.63 primary earnings per share and $.50 fully diluted earnings per shar umulative effect of this change in accounting principle. Pro forma amounts for the years 1980 and 1981, assuming retroactive application o he accounting change, are: net income for 1981 – $473.6 million and 1980 – $408.3 million; primary earnings per share for 1981 – $4.01 980 – $3.81; and fully diluted earnings per share for 1981 – $3.65 and 1980 – $3.38. See Note 2 of Notes to Financial Statements.

In June 1982, the Corporation reacquired $165 million of debentures in exchange for cash and 3,838,622 shares of Common Stock resultin extraordinary gain of $40.2 million ($.38 primary earnings per share and $.30 fully diluted earnings per share). See Note 3 of Notes to inancial Statements.

Effective January 1, 1981 the Corporation adopted the provisions of Statement of Financial Accounting Standards No. 52, "Foreign Curren ranslation." The principal effect of FAS No. 52 has been that most of the large foreign exchange translation losses which have resulted fro he strengthening of the U.S. dollar in the years 1981 through 1984 have been deferred as a component of Shareowners' Equity and accordin id not affect reported earnings. The portion of the net exchange losses deferred as a component of Shareowners' Equity in 1981, which woul ave been charged against income under the previously effective Financial Accounting Standard, amounted to $42,706,000, net of income tax ffects, equivalent to $.43 primary earnings per common share, or $.33 per share on a fully diluted basis.

Primary earnings per share are based on the average number of shares of Common Stock outstanding during each year. Fully diluted arnings per share reflect the maximum dilution of per share earnings which would have occurred if all of the dilutive convertible securities he Corporation had been converted on the dates of issue.

Equity per common share is based on shares outstanding at each year end.

All Common Stock data has been adjusted to reflect the two-for-one stock split in May 1984.

Safety valve

Holyoke Transcript 3/17/86

5 ways United Technologies shows disregard for U.S workers

Editor, Safety Valve:

I am well aware that all of our [redacted] congressmen have been extremely busy these past few weeks with foreign plicy and budget considerations. However I believe the issue of United Technologies' announced closing of the old American Bosch plant in Springfield is deserving of some of their attention.

Since United Technologies' Feb. 4 announcement (it will close the diesel systems plant at the Springfield-Chicopee line), the company has:

1. Received millions of dollars in federal contracts.
2. Spent over $20 million to purchase part of a British helicopter firm.
3. Announced participation in building an automobile parts complex in Egypt as reported in the March 6 Wall Street Journal.
4. Announced a corporate reorganization into three new divisions to bid on space-related work from the federal government;
5. Begun a process of shipping Springfield military work overseas.

In addition to all of this, United Technologies remains proud of its over $11 billion backlog of orders. An extremely high portion of this work is government in nature. The longer these orders sit unfilled the greater the eventual cost to the taxpayers when the work is finally completed.

International Union of Electrical Workers Local 206 is asking for our congressional representatives; help in keeping the plant open. The fact that United Technologies is so closely tied to the Defense Department makes it a target for political pressure and congressional scrutiny. United Technologies has closed over 30 factories in its Automotive Division alone in the past few years. While closing these factories it has invested heavily in Brazil, South Korea, Spain, Egypt, China and elsewhere.

Where is the justification for Congress to allow a huge and powerful corporation to grow fatter and fatter at the taxpayers' expense while it closes factories across the country?

Once again Local 206 calls on Congress to help. We urge that our representatives and senators call for public hearings on this and other United Technologies plant closings in the United States immediately. We also ask everything possible be done to deny further government contracts to United Technologies until these hearings have been concluded.

United Technologies' scorched earth policies must be exposed for what they are now.

Robert Forrant
Business Agent
Local 206
Springfield

UNITED TECHNOLOGIES' MOVES OVERSEAS

Type of deal	Operation	Date
	AIRCRAFT	
JOINT VENTURE-ACQUISITION BID	British helicopter maker Westland PLC (with Fiat of Italy)	1986
STARTUP	Pratt & Whitney of China Inc. to overhaul and, eventually, build jet engines	1986
JOINT VENTURE-STARTUP	Eurair of Belgium to make helicopters for sale in Europe (with Belgian, Dutch, and Austrian companies)	1985
CO-PRODUCTION	Make helicopters for Royal Australian Navy (with Commonwealth Aircraft Corp. and others)	1985
	AIR CONDITIONING	
STARTUP	Carrier España to make Carrier consumer products for sale in Spain and Portugal	1985
JOINT VENTURE-STARTUP	Carrier Taiwan Co. to make and sell air conditioners and refrigeration units in Taiwan	1985
	ELEVATORS	
JOINT VENTURE	Make and service elevators and escalators in China (with Tianjin Elevator Co.)	1985
MERGER	Expand presence of UTC's Stigler Otis in Italy (with the Falconi Cos., subsidiary of Finmeccanica)	1984
	OTHER	
JOINT VENTURE	Develop and make small power-generating units for sale worldwide (with Toshiba Corp. of Japan)	1984
JOINT VENTURE	Make auto parts for European market (with Grundig of West Germany and Renault of France)	1984

DATA: UNITED TECHNOLOGIES CORP.

LETTER FROM JOSE J. ZAITER

March 18, 1987

The Honorable John F. Kerry
United States Senator
Ten Park Plaza - 3rd Floor
Boston, Massachusetts 02116

Dear Senator Kerry:

First of all, I would like to thank you for inviting me to the hearing on International Trade and Competitiveness: A Massachusetts Perspective. Since, I could not stay for the entire hearing and have the chance to express my views due to other commitments, I felt that this issue is important enough to forward my comments in writing for the record.

I feel that the Reagan Administration has lost grits with the unbalance that currently exists on international trade thereby putting the American workers, particularly minorities (Hispanics) in a very difficult situation.

By this, I mean that the jobs we are losing to foreign markets either through competition and cheaper labor and from U.S. companies starting operations in other countries are primarily unskilled and entry-level jobs normally held by minorities. This syndrome, I believe, will eventually create a social as well as an economic crisis to the already oppressed economic situation of the minorities in this country.

In the case of Hispanic Americans, the impact is and will be felt even greater due to the repercussions the new immigration laws are going to have in the labor market with regards to employers sanctions.

Some will argue that by exporting these jobs and having this unbalance in trade will alleviate the migration of unskilled labor to the U.S. and curtailing what could be perceived as social inbalance problem in this country. That might be so, but we need to address the problem we already have here first, create a comprehensive and fair international trade policy that will work for all Americans, not just one segment of the population and one that makes some sense in the international trade arena.

In fact, by keeping these jobs here and being competitive, Hispanics already in the U.S. can make a living for themselves and support at least dozens of relatives in their native countries. To give you an example, Dominicans in the U.S. pumped over $500 million to the Dominican Republic's economy last year by sending dollars and investing in their country while still paying taxes in the U.S. The current president of the Dominican Republic Dr. Joaquin Balaguer recently said that without the contribution that Dominicans living the U.S. make to the country's economy, this Caribbean nation would be bankrupt.

Therefore, Senator Kerry, I hope that when drafting the bill, you take into consideration the impact that an unfair international trade bill would be on the minority workers (Hispanics) in this country.

Talk to you soon.

With regards,

José J. Zaiter

LETTER FROM SHIRLEY WILLETT

John F. Kerry, United States Senator
Massachusetts Transportation Building
Ten Park Plaza - Room 3220
Boston, Mass. 02116-3969

March 16, 1987

Dear Senator Kerry,

Thank you very much for inviting me to your hearing on, "International Trade and Competitiveness: A Massachusetts Perspective". I do share your deep concern about this issue; in fact I consider it the number one issue in America today as it impinges on every concern for consumers, workers, government, businesses of every size and even survival of the whole human race - if we are to avoid a trade war from "protectionism" that unlike the "Smoot-Harley Act" would now involve the whole world.

Since there was no time for questions or comments from the audience after the hearing, Bill Bradley suggested I write my views to you within the next couple of days to have them in the total report. Also, this letter can serve as a cover letter that I told Bonnie Cronin would follow the papers I gave her at the hearing, on 5 issues, possibly involving International Trade, that I am writing for the (Mass) State House Conference on Small Business (June 17th).

I found the views from most of the panelists informative and validating my own concerns and position, but some of them left big gaps in seeing a total picture. Those gaps are:

1. There was no one representing small business, as understood at the White House Conference on Small Business, that is "RSB", Really Small Business, 1 to 25 employees; and no panelist spoke about them and their concerns which are a different perspective than any, with the exception of Frank Carroll's position on "The Training for Trade". Their views are an important inclusion in your report as entrepreneurs are the innovators and there are many of us who have some possible solutions that are "win-win" for a global economy without protectionism.

- R & D: In the push for more research and development grants, (as suggested by Stephen Levy, BBN and many others) there needs to be more set aside for these really small businesses that produce more innovation than all the universities or large corporations put together. (Ref. SBA Office of Advocacy reports)

- EXPORT INCUBATORS: The #5 issue that I have recommended for the Mass.State House Conference on Small Business (see enclosed) and one I know, with help from the state, federal, university (BU and their Small Business Development Program) could be developed to enable us to export high fashion to countries such as Switzerland, Sweden, etc., using our contractors in Fall River and elsewhere in a cooperative called ‘‘Pri-Lab’’, combined with a ‘‘DBC’’, Designers cooperative and TNT, Tessellation Network Technologies, developing software, databases and other MARKET technologies for the apparel industry.

- ENTREPRENURIAL EDUCATION: As Bob Forrant, the machine tool worker said, the company management could have found work and the workers tried to buy the plant and take it over. The problem is NOT IMPORTS - it is MANAGEMENT. As Bob validated for me after the hearing, a research analyst with his "Machine Action Project" determined that "she found about 350 machine shops in Hampden County, most with less than 25 employees and many doing well".(Globe article, "Labor woes in Western Mass.) He also answered my query that some owners were dislocated workers, now entreprenurs or owners of these shops. We need the federal government to implement Recomendation #6 from the White House Conference (enclosed). I have proposed an innovative cooperation between small business and educators as a way to do this for our own State House Conference (# 3 issue proposal enclosed).

2. With a background of 37 years in the apparel industry, starting as a stitcher in its factories and owning a very successful designer leather manufacturing business, selling nationally, for twenty years I am in a very qualified position to state that in this industry as well as the machine tool, IMPORTS are NOT the problem, getting and keeping QUALITY WORKERS and TOO MUCH MIDDLE MANAGEMENT IS the problem.

-I hired workers much like Alice Sikora, as stitchers, pressers, finishers, etc. and being a a really small business (RSB - I had 20 to 25 employees) we were much like family and everyone, myself, managers and workers respected and cared for each other. I sold my business in 1978 because I hated the growth which was incredible (I could not produce what I sold) and the difficulty getting quality workers with a decent work ethic and attitude. There were not many around like Alice, except in the older workers. The young either did not want to work in "those sweatshops" (the union's self-fulfilling prophecy) or else were aspiring designers that worked a few months to get my training (I am an excellenet teacher), get paid for it and go on to another higher level job. I no longer could take the workers' abuse in attitude (unions and government has instilled this attitude of wanting everything on a silver platter) and was a prime reason for selling the business. Another reason was to help others do what I had done. There are many of these young designers around today that need quality workers, but they are not available, poor quality skills or much too inflexible as to the work they are capable of doing. Also there is a problem of location, ie, the designers are in one locality and the workers in another. To answer this I am involved with two very innovative programs, 1. "DBC", Designers Business Cooperative, a group of designers sharing a factory space and sharing services and 2. "ATE", Apparel Technicians Enterprise, cutters and stitchers able to work on small, high quality job lots. These ideas I have communicated to Governor Dukakis and have kept him informed about North Carolina, too, the largest apparel producing state, where I am working with people on these ideas for there displaced workers. I also have received a request from Tennesee and hope that what we can do in Massachusetts can help many other states as well be an example for other industries when we solve it for apparel.

- The major problem, however with the apparel industry's lack of "competitiveness" is its distribution system and too many "meddling middling" "taking a buck". It is important to understand that none of our trading partners have this kind of problem. A clear picture can be drawn by percentages in a "piece of pie" using a certain skirt that sells retail for $60. A stitcher here in Massachusetts gets $1.50 to make it, while a stitcher in India might get 20 cents. The labor differential of $1.30 is NOT the problem. What is "unfair trading practices" is the $35 the retail store gets, then a few bucks for the sales rep, a few for the jobber, a few for the manufacturer, a few for the wholesaler, a few for the advertising agency, a lot for the designer if it is a brand label, a lot for the multi-corporate managers and officers who need it to play a ballgame with the stockmarket and inside traders. I am amazed and saddened that they have been able to keep goverment, consumers, unions and most of all the poor apparel workers, blinded with their cries against imports to keep us from seeing the true reality.

What the federal government can do is both research and a public awareness program of cost accounting in the apparel industry. It will be amazing how this insight would be utilized by the small business community to create solutions.

I have already begun a solution in Massachusetts that I call "Mass Produced Custom''. I am working with many of the contractors or producers (those that cut, stitch and trim) through a cooperative called ``Pri-Lab''. The prime need, however, is innovative marketing using our technological base here in Massachusetts and I have proposed ``Centers for Marketing Excellence'' (#2 issue for the State House Conference enclosed). This concept could reduce very substantially the spiraling costs of ``doing business''by eliminating middle management. Let's design technology to TAKE THE PLACE OF MANAGEMENT instead of overloading our entrepreneurs with too much education on management. The technology being developed by Retail giants like The Limited and Carter Hawley Hale needs to be developed for the ``least of us''. We will need both federal and state money and support to help ``Re-invent manufacturing'' and America leaders again by ``solving world economic problems''for the ``least of us (countries) not fight a trade war that would bring on a total disaster for the planet.

I want to thank you again, Senator Kerry, for listening to me. As I heard on Washington Week in Review, ``Politics is the Art of the Possible''; and it is very comforting to know that there are politicians (as yourself and Gov. Dukakis) who will listen to its citizens and entrepreneurs with innovative ideas and who have the ``Art to Make Them Possible''.

Sincerely,

Shirley Willett

(cc)
- Gov. Dukakis
- Jack Rennie, Pacer Systems, chairman of Human Resource Development for the State House Conference on Small Business
- Tim Hoffman, Executive Director, Gov's Business Advisory Council
- Al Saunders, Export issues for the State House Conference on Small Business.
- Frank Carroll, U.S. Senate Small Business Advisory Committee
- Tim Basset, Mass. Land Bank (involved with the issue on Incubators)
- Mary Averill, Small Business Development Program at B.U.
- Tom Brownell, State Representative from Quincy
- Jack Hoy, New Eng. Board of Higher Education
- Bob Forrant, Machine Action Project

SMALL BUSINESS DEVELOPMENT
HUMAN RESOURCE DEVELOPMENT

DATABASE Should the State Government establish a "centralized" clearinghouse of information and research on 1. what training is taking place, and where, 2. what training is "needed", 3. development of evaluation tools to measure the effectiveness of existing training, 4. a structure of a "market-driven" database to match training with needs, 5. a study of depressed and under developed industries as in B U's "SBDP" for training or re-training needs, 6. a study (outreach to anyone) on innovative and new training techniques, particularly in vocational education, 7. needs in the marketplace to encourage displaced workers and students into entreprenuring, 8. dissemination and active promotion to all levels of education, to all businesses, large and small and non-profit organizations, 9. capitilized by a joint effort of various state departments, private business grants and federal money; but with a long-term goal of becoming self-sufficient and for profit by a business plan for its sales and income to balance its expense and for future growth.

BACKGROUND: At the White House Conference in both "Education and Training" and in "International Trade" the strongest recurring words were "centralized", "clearinghouse", "relevant" and "timely" information and that vocational training and entreprenurial education in our free enterprise system was intricately involved with international trade and global economics if we are to survive as a world economic power. From both the WHCSB and many small businesses that expressed their problems, information is available; in fact they are inundated with it; but it is either not usable, not relevant to their needs or in so many different places and agencies it is not worth the time to go after it - or in some instances, like DES is actually wrong. Those who opposed this at the WHCSB argued that this kind of database could better be accomplished at the state level because information could be more effectively tracked.

Pro: By emphasizing "needs" it will help reduce redundancy or too many training centers in competition training for the "job of the day".
- By centralizing, promotion and a timely updated database it could help expedite setting up needed training programs instead of the lengthy present

process of government doing "research to do research" for sometimes years before action occurs after the rhetoric.
- By imputting consumer and market needs, keyed and matched to the necessary skills in training it will assist as inspiration to innovators to become entrepreneurs as well as to assist them to find workers, training for those workers and be a necessary base for all vocational education. It will also be excellent for selling to a market that is looking for those products or services. The problem of our manufacturing sector could be substantially helped by smaller entrepreneurs (cottage industries) by elimination of many "meddling middling" costs by selling direct to the consumer or market whose needs they are fulfilling and also to stay up to date with the latest training and production techniques.

Con: - This is such a massive job to get it started that many have said it must be a federal program. However, because Massachusetts is a technology state some have said it might be good to start it here, if it received federal support.
- There would be great difficulty to find the people who would have all the necessary information and the people for staff.
- Training centers as well as our business community are so indoctrinated into competition that there would be conflicts and gripes about it being centralized and this information, particularly on market needs open to everyone.

CENTERS FOR MARKETING EXCELLENCE: Whereas marketing and sales are quoted as the number one problem of startups and many old industries affected by foreign competition; whereas "What is fueling the economy is hi innovation rather than hi tech - the challenge is to create an environment for innovation" (Dr. Birch, MIT); whereas innovation or creativity and entrepreneurship cannot be taught (Dr. Silber, B.U.) - it needs to be inspired and motivated by market needs (which includes problems in business and production); whereas cooperation, sharing, excellence and market niche must replace the word competition; whereas there are many innovative ideas in marketing that can make all our industries successful, such as market technology of telecommunications, barcoding, video, etc. used by top retailing giants that used in cooperative efforts for direct consumer sales would eliminate "meddling middling" costs and make us higher technology, higher quality yet lower costs than our trading partners....

Therefore - IT IS RECOMMENDED - to have a consortium of business, academia and government form Centers of Marketing Excellence for the purpose of 1. researching the needs of consumers and markets all over the world (Ref. "Exportise")(set up as research incubators), 2. encouraging and developing new market technology, 3. establish incubators around these market needs and promote them to entrepreneurs, 4. arrange a space for the marketing process to take place. (Ref. "Small Business Incubators" - Massachusetts Special Legislative Commission) 5. to form "consortiums" for entrepreneurs to learn and trade with each other and trade as a group with the market.(Ref. "ICE", Institute for Consortiums of Entrepreneurs).

Background: "A small business incubator is a facility designed to stimulate job creation by increasing the success rate of small businesses through combining low-cost space, shared services, shared equipment, financing and management assistance. ...supporting entreprenurial activity in economically depressed communities and among disadvantaged populations ...and supporting existing businesses in the same industry [distressed industries]." (from Mt. Auburn Associates' report on "Small Business Incubators") Although this report targets the need for many kinds of "Incubators", this recommendation is meant to target the specific and prevailing need of marketing for entrepreneurs. The first example given in the report is one of these incubators: "1. A Fashion Center -- This Center provides a range of support services especially MARKETING and EXHIBITION facilities, to small garment and apparel businesses. The purpose of the Center is to increase employment security and promote expansion by moving subcontract work to direct supply to retailers and to own brand status."

Pro: Gov. Dukakis in a conference on innovation in Pittsburgh, 1985 talked about "Innovation Through Attitude Change" and like the "Centers for Excellence", this one on Marketing will develop even more creativity and will show how (quoting him), "...to succeed as innovators, labor and management, business and government must be pulling together on the same team.
- By developing innovative marketing techniques we can go leaps ahead of the Jappanese and stop "chasing our own tail" by copying them. We as Americans know the free enterprise system that opens up our creativity to solve problems if government will LISTEN TO US, the "really small businesses" and help us work together with "the least of us" cooperatively.

Con: The difficulty to get business, education and government to work together could be enormously expensive because of the "sensitive toes",

competitive nature. Even our young entrepreneurs have great problems in cooperation because we are a society based on competition.
- Change is extremely difficult and this may be too innovative, particularly for our conservative university structure and our older industries who will not accept change and are adamant about "profit maximization" which from the recent insider trading scandal is another word for "corporate greed".

ENTREPRENURIAL EDUCATION - Should Massachusetts enact legislation to involve small business in public education (K - 12) to train students in "real world" worklife and vocational skills, to help establish awareness, pride and joy in our free enterprise system by being models and to assist in more expansive thinking about global economies and their interaction? This could be in the form of a "bureau" with a "database" that could perform a "matching" of entrepreneurs and a system of a cooperation with the various teachers. E.g. an exporter to Europe might plan some classes with a geography teacher or a language teacher to make Europe understood as an economic reality or experience a use of the language; a shopkeeper might set up some examples of pricing for an arithmatic class; a stitcher might show the importance of developing skills with the hands in a clay modeling class; or a researcher could work with a teacher in remedial reading to show why the grasp of understanding reading is important, etc. A fund should be developed from a consortium of state and federal government, big business and universities so that entrepreneurs can be paid what their "time" is worth and not be forced to volunteer. This system could also assist small employers to train future workers keeping them in school and getting paid themselves (fully) for the training they are doing.

Background: At the White House Conference both RA #6 and RA #34 (see the Final RA's) included these ideas, particularly, "This training should be taught by small business people or teachers with hands-on entreprenurial experience and must include curriculum input from small business people." At a discussion about this issue with the Massachusetts delegates, Shirley Willett posed the question to Senator Kerry about its implementation and his response was that it needed to be started at the state level and then perhaps involve the federal government. From John Sloan, (National Federation of Independent Business) "We have an obligation to create jobs that offer a future of self-development - jobs that are not merely life sentences to drudgery". (Ref. "Making America Work Again" - Jobs, Small Business and the International Challenge).

Pro: This state recommendation takes the initial WHCSB ideas and puts them into a workable form and could include in its consortiums involvement of professional associations (PIC's and community colleges), OJT, on the job training to keep students in school, businesses, who need engineers, technicians and scientists, to inspire young pepole into these areas, large businesses who can afford to pay for training sharing with small ones doing it. It could result in teachers gaining a basic understanding of economics and business principles by working with entrepreneurs without the government spending enormous amounts to retrain them. It would have to involve technology in education in order to simplify this complex integration and this would be exciting for both teachers and students to get involved with their own process. It would also remove the credential barriers to manufacturing experts teaching in colleges and universities because they would have experience from teaching in the public schools.

Con: The complexity of this issue could either be stamped impossible or put on a back burner for so long it will never get addressed.
- Cooperation of teachers would be extremely difficult because their "turf" would be violated.
- Many businesses are too busy to have time to give to public education.

EXPORT INCUBATORS: Should the "Special Legislative Commission on Small Business Incubators" consider research on foreign market potential (similar to the kind of research request for "Centers for Marketing Excellence") using guideposts of the book, "Exportise"; then set up a business and production plan for a "RSB" - Really Small Business (1 to 25 employees) for the products and services NEEDED by these countries; then do an active search and promotion for entrepreneurs to undertake these export businesses with the kind of help that "Commission on SB Incubators" is outlining in their "Report". The outreach should be to match the "foreign needs" to small producers already in business or those in disadvantaged areas, displaced workers able to produce that product, etc. There also should be an active use of our immigrants and "U.S. citizens with ethnic-cultural advantages [through Marketing Incubators] to gain access to these foreign markets, especially in developing nations". (Ref. Thomas S. Watson, Commissionar of International Trade, WHCSB).

Background: In the light of our huge trade deficit, depressed manufacturing industries, displaced workers, we need to combine these problems together for an answer without "protectionism" that will create trade wars. The U.S.

small businesses are still following much of the idealogy of our founding fathers in a free enterprise system as innovators in both product development and new ways of marketing and selling.

Pro: This recommendation would be a solution to build our exports by eliminating enormous middle management costs (which involves corporate mismanagement and "profit maximization") and selling more direct to consumers (Ref. "European Customs", WWD) and avoiding costly inventory and warehousing by "fulfilling market needs".
- We can export if, in these incubators, we emphasize "excellence" in products or services as in the Globe magazine article, "The Perfect Tomato". Excellence was stressed in agriculture and it works with obtaining $3 a pound for a perfect tomato and enough can not be supplied to fulfill the need.
- We also must "Re-invent Manufacturing" (Ref. John Naisbett,s "Re-inventing the Corporation") by taking displaced workers and put them into entrepreneuring, eliminating multi-management costs. (Ref. Globe, "Labor woes in western Mass.", a research analyst says, "...about 350 machine shops in Hampden County, most with less than 25 employees and many are doing well.")

Con: It will be extremely difficult to get these displaced workers into entrepreneuring because they have had too much dependency upon being taken care of by unions and business owners. It will also take a great deal of expensive promotion and motivation to get small business owners into export because most of them feel the time, expense and problems are "just not worth it."

We must stop our International Trade from being used as a political football as done here with Turkey. The admiistration is blind to the havoc it is creating.

(UPI Photo Not Printed)

TREATY WITH TURKEY--Secretary of State George P. Shultz (right) and Turkish Foreign Minister V. Halefoglu exchange documents as they sign a new defense and cooperation treaty in Washington yesterday. The treaty ensures the United States use of military bases in Turkey until 1990 and gives Turkey better access to United States markets.

THE WHITE HOUSE CONFERENCE ON SMALL BUSINESS FINAL RECOMMENDATIONS

5. The international trade crisis mandates the creation of a Cabinet level department of international trade (similar to that of our major trading competitors), which will coordinate and focus on existing activities of federal agencies to accomplish the following:

a. Coordinate the dissemination of information regarding business opportunities, export financing, education and training, licensing, trade missions, market-driven data bases, SIC Code updates, and other essential functions of international trade.

b. Represent small manufacturing, agriculture, service and other businesses, in national and international discussions and negotiations. Develop and execute fair, long-term policies regarding international trade.

c. The General Agreement on Trade and Tariffs (GATT) should be extended to include intellectual property rights, services, agriculture, aqua-culture, and agri-business products. [R.A. 142, International Trade; 1173 votes]

6. The federal government should encourage the advancement of entrepreneurial education and education of the free enterprise system, by establishing an early awareness of the free enterprise system beginning with primary education and continuing through all levels of education, which would include the teaching of foreign languages and intercultural practices, to increase our national awareness of global economics and their interaction; and to encourage a greater competitiveness by small business in international markets. This training should be taught by small business people or teachers with hands-on entrepreneurial experience and encouraged by curriculum with input by small business. [R.A. 38, Education & Training; 1161 votes]

SHIRLEY WILLETT, INC.

WHY DO I WANT TO BE YOUR - DELEGATE ?

-BECAUSE: I understand the needs, problems and structures of REALLY small businesses (self-employed to 30 employees).

-BECAUSE: I am - one; yet am also working with a great many others every day thru business and legal cooperatives.

- -Setting them up in a business.
- -Helping capitalization.
- -Educating on technical production systems, and designing better ones
- -Assisting in management and in business plans.
- -Getting them resources.
- -Feeding them powerful and recent information.

-BECAUSE: I am forming COOPERATIVE structures, business to business

"E. PLURIBUS UNUM" - United we stand, divided we "fail".

-BECAUSE: I have amazing energy - am outspoken (see photo) - and completely committed to a REALLY small business ideology; to make your's and my needs - KNOWN - and ANSWERED.

-BECAUSE: I have the knowledge of how we can join hands - work together to form a POWERFUL FRONT to make this strong government, large unions and big, powerful corporations - COOPERATE - WITH - US.

LET'S NOT ASK TO BE TAKEN CARE OF ----

LET'S DEMAND TO BE LISTENED TO - AND OUR NEEDS ANSWERED FOR ----

GREAT SUCCESS!!!!